

# FAR EASTERN ECONOMIC REVIEW

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## SETTLEMENT OF DEBTOR-CREDITOR RELATIONSHIPS IN HONGKONG THE DEBTOR AND CREDITOR (OCCUPATION PERIOD) ORDINANCE 1948

When Britain regained her territories in the Far East which had been occupied by the Japanese she found a tangled skein of financial and economic threads. Pending the unravelling of the difficulties a Moratorium was imposed by the early Military Administration imposing a prohibition on the enforcement of debts and on dealings in stocks and shares and in land without permission of the authorities. The Moratorium has remained in force with slight exceptions but there is every likelihood that before its third anniversary in September next it will have been lifted and that the machinery of commerce will be free to run again without any of the clogs which have been hitherto retarding its full activities.

In Hongkong recently two Ordinances were passed to help to clear the way—one to prevent time to run during the period of the occupation and of the Moratorium and the application during these periods of any limitation of the right of action or of time of prescription; the other to bring the law of the Colony into line with that of England in the matter of loss resulting from frustrated contracts, so that the old common law principle that any loss must lie where it had fallen is modified to allow of a more equitable distribution of the loss and for the recovery of advance payments less expenses.

### Debtor-Creditor Ordinance

The most important legislation which removes the last formidable obstacle to the removal of the Moratorium was passed in Hongkong last week—the Debtor and Creditor (Occupation Period) Ordinance 1948. It went through the second and third reading on the same afternoon with but two dissentients. The Bill which was based on the same model as that applicable with necessary variations to Malaya and Singapore had been the subject of the most careful investigation as to facts and consideration as to principle

by the Home Government and by the local authorities for two and a half years, and before it was passed had been before the community in its published form for three months.

The Ordinance is the first example of legislation in British liberated territories that applies the powers of the legitimate sovereign to the chaos created by unauthorised acts of a belligerent occupant and is of the greatest interest to all who are concerned with the development and application of international law. Its practical application in the Colony received on the whole the favourable impression of leading articles in the local press as an equitable compromise, but the public generally including the majority of pre-war debtors who had not purported to make any payments during the occupation showed little or no interest in the controversy.

The Bill being in the nature of a compromise was not agreeable to either party. Both debtors and creditors had registered opposition to any curtailment of their legal rights.

The Exchange Banks Association, however, which represented the principal creditors including British, American, Dutch, Belgian, French, and Chinese Banks both private and government, whilst registering their disapproval of the principles of the Bill, had passed a resolution that in their desire to assist Government and the community to remove the restrictions of the Moratorium they agreed to relinquish their objections provided the Bill was passed without alteration or delay.

The core of the opposition consisted mainly of a comparatively small group of large debtors, especially some of the large department stores, who were represented by the Chinese Chamber of Commerce and claimed that the Bill should be dropped and that they should be free to test their rights in the Courts.

### Government's View

Government's view was expressed by the Acting Financial Secretary and

the Acting Attorney General. The latter gave a lucid and most interesting review of hitherto undisclosed Japanese documents which showed that the Japanese intended to despoil the Colony for their own aggrandisement and proved that the measures that they had taken in the liquidation of the banks and their inflationary issues of Military money had greatly exceeded the normal functions of an occupant and that such measures were to be deemed null and void except in so far as the local Government after the restoration of its authority decided to make exceptions. Government therefore introduced this Bill to provide such exceptions so as to achieve a just and equitable compromise so far as possible between the conflicting interests.

### Support of the Legislation

Three unofficial members of the Legislative Council spoke in some detail and with definite conviction in support of the Bill. Their arguments were generally on the following lines:—British law and commercial law generally requires that debts should be repaid to the rightful creditor or his agent in the currency stipulated in the contract; unless the debtors can prove—and the burden of proof is on them—that the Japanese liquidators had either by law or by the consent of the creditors authority to receive the money, debts whether repaid in good dollars or unbacked Military yen cannot be regarded as having been discharged but remain unimpaired; the Bill provided a good compromise on a balance of equities; the debtor got full credit for all payments made in dollars although the Banks, which were not functioning and in liquidation with their officials in custody, never received the money and may not have received any benefit therefrom. Up to May 31st, 1943, when the circulation of the dollar was prohibited both currencies were in theory acceptable but bad money was driving out good and dollars were being hoarded. The Japanese being anxious to obtain dollars for external purchases in China and elsewhere no doubt brought pressure on many debtors to pay their debts but accepted part payment in yen provided a part was paid in dollars. There was no compulsion, however, to pay any debts specifically in yen.



## THE OVERALL PAYMENTS AGREEMENT BETWEEN JAPAN AND THE STERLING AREA

(By A SPECIAL CORRESPONDENT IN JAPAN)

After May 31, 1943, when yen only was in circulation the Japanese had no inducement to collect debts in that paper which they could print at will and did print to the extent of nearly two thousand million, not to aid the local currency of which there was ample (250 million dollars before the war plus 120 million irregularly issued by the Japanese) but as a deliberate method of spoliation. There never was any compulsion to pay in yen; therefore all payments made in yen were made voluntarily and in the latter part of the occupation in particular they were obviously made to seek discharge of debts by payment of worthless paper which was still kept at a fictitious rate by the occupying authorities.

Yet the Bill provided that some yen payments should stand but that the greater part should be revalued in accordance with a scale in the schedule; in the absence of free distribution of goods it was difficult to give any definite value to the yen at any given time either in the black market or in relation to its general purchasing power; moreover whatever value the debtor may have parted with, the banks which were not functioning never received that or any value and were not in the same position as a creditor who received yen and could have used that medium for the purchase of goods or property. Although the Bill was not regarded as in any way perfect, it provided a fair and equitable solution of a problem which it was in the interest of the community to settle by legislation.

### Disagreement by Chinese Spokesmen

Against the Bill two unofficial members spoke—both Chinese. The first stated that the Bill would be a good compromise if it were almost a certainty that a Court of Law would declare that payments made to the banks during the occupation period were wholly invalid; if not, it was not a good compromise. The second dwelt on the uncertainty of the legal issue in the light of views of eminent jurists as to the limited application of and the differences of opinion on questions of international law; the compromise in the Bill was quite unintelligible to him, and the basis of the valuation of yen in the scale given in the schedule was utterly unrealistic. He therefore submitted that the Bill should not be proceeded with and that the Moratorium should be lifted forthwith.

### Summary of the Provisions of the Ordinance

In view of the importance of this new Ordinance in the history of attempts to settle problems of belligerent occupation the Bill was printed in full in this Review of March 17, pp. 270/72. Its main provisions may be summarised as follows:—

(1) All payments made in Hongkong dollars to stand and be regarded as good payment;

(2) All payments made in Military yen if due and demanded by the creditor or his agent on his behalf to stand and be regarded as good payment;

Although the text of the Overall Payments Agreement (O.P.A.) made between SCAP and the Sterling Area, excluding Hong Kong, has not yet been published, its main features are well-known in Japan. It provides that all trade between the Sterling Area (excluding Hong Kong) and Japan will be financed in sterling. A balance will be struck at stated intervals and there will be a right to convert a credit balance into gold dollars.

But there is a gentleman's agreement not to convert except in special circumstances, so that in normal circumstances neither side will enforce the convertibility clause.

The Agreement replaces all former open accounts existing between SCAP and other parts of the sterling area.

### Japan—another hard currency area

It is generally believed here that the conclusion of the Agreement has been delayed because of the difficulty of negotiating the convertibility clause.

(3) All payments made in Military yen payable under a contract, the parties to which expressly stipulated that it should be the essence of the contract that payment should be made on a date certain to stand and be regarded as good payment;

(4) All payments made in Military yen

- (a) if accepted under duress or coercion; or
- (b) if not due at the time of payment; or
- (c) if due and not demanded by the creditor or his agent; or
- (d) if due and demanded was not paid within three months of demand,

to be revalued in accordance with the scale given in the schedule, and the balance found to be still owing to bear simple interest at 4% per annum during the remainder of the occupation period.

(5) Interest payments (which were generally made in lump sums with the payment of the principal) are to be revalued on the same basis as principal payments if paid in Military yen.

(6) Rent payments are not to be reopened. In the case of rent accruing due under agreements made before the occupation these were paid weekly or monthly or at other intervals and apart from other reasons it would administratively be too difficult a matter to reopen them. Rents accruing under agreements made during the occupation come under the category of transactions begun and closed during the occupation and therefore are not to be reopened.

(7) Interest on debts during the occupation period to be a maximum of 4% simple interest if the stipulated rate was at that rate or higher, otherwise, if lower, at such lower stipulated

To the Sterling Area, already woefully short of U.S. dollars, the prospect of another dollar drain on its dwindling resources was a nightmare. So far as the Sterling Area was concerned, Japan was just another hard currency area with this difference, it was a dollar area in which it was impossible to earn dollars but in which it might be very easy to lose them.

SCAP on its part had to insist on dollar convertibility because in the background stands an American Congress which would have to rescue, in the last resort, its Japanese prodigal if the latter ever overshot the mark.

But SCAP itself does not appear unduly worried about convertibility. For although much of its thinking and all its accounting is done in dollars, SCAP insists that it is not a dollar area. SCAP will tell you that it has not any dollars except the few that can be earned on exports to dollar areas and that Japan today has an even more difficult time selling to hard currency areas than has the Sterling Area.

rate of simple interest, with liberty for either party to apply by originating summons to the Court for a variation in the rate having regard to the degree of enjoyment and advantage derived by the borrower from the transaction.

(8) All securities released by the Japanese in cases where by the terms of the Ordinance the debt remains wholly or partially unpaid remain subject to the original charge or mortgage. The debtor can be required to reinstate or replace the security, and even when the security has changed hands it remains subject to the same charge and priority. Companies whose stocks, shares or debentures were subject to a charge in favour of a creditor may be given notice in writing not to register or permit the transfer of the security until the charge is released.

(9) All arrangements made by way of compromise or settlement before the Ordinance to be valid.

(10) Debts incurred and paid during the occupation period are regarded as fully discharged if the face value of the debt was paid at the official rate of exchange prescribed by the occupying power.

(11) Where a debt was incurred during the occupation but remained partially or wholly undischarged at the date of the Ordinance, the amount unpaid shall be revalued according to the scale of valuation in the schedule. If, however, the debt was expressly made payable otherwise than in occupation currency, the debt must be repaid in that currency. Thus debts incurred in internment camps and repayable in sterling must be repaid in sterling, and are not affected by the Ordinance.

(12) Military yen notes now remaining are not given any exchange value, and have no value towards the payment of any debt in the Colony.



## THE HONGKONG TRADER IN JAPAN

It is true that the American Congress appropriates funds to keep SCAP going but SCAP will say that there is all the difference in the world between an "appropriated dollar" which has to be spent in a special manner, and a "commercial dollar" which can be spent as trade requirements deem best.

If SCAP therefore were called upon to convert an adverse trade balance with the Sterling Area it might well happen that there would be no dollars for the purpose, unless Congress allotted some, and Congress might think twice before making an appropriation for this purpose.

But SCAP's disinterestedness in convertibility goes deeper. It is a question of policy. So long as the emphasis is on dollar convertibility trade movements may be circumscribed at a time when SCAP's policy is the maximisation of Japanese trade, particularly with the Sterling Area. In the Sterling Area are the raw materials which the Japanese industrial machine requires; while Japan believes that it can produce the manufactured goods which the sterling area needs.

### Possible Operation of the Overall Payments Agreement

On the face of it it seems that O.P.A. provides the frame-work in which a very lively trade between the Sterling area and Japan could materialise. Some observers see SCAP buying as heavily as it possibly can to get its raw materials and food and then selling at top pressure to pay for imports.

There can be little doubt that O.P.A. can be made to contribute in a big way to a revival of trade, particularly in Asia, if it were operated in the spirit in which it was conceived.

Each side would buy up to the hilt, and if the trade balance got out of equilibrium, the party which was down could call upon the other to rectify the situation by merely buying more. That is what SCAP expects to happen. But will it?

The first snag is that while the machine set up can buy and sell at an ever increasing tempo, some force is necessary to set it in motion.

It is believed in Japan that SCAP would have liked the Sterling Area to provide credit to finance SCAP's initial purchases in the Sterling Area but that this would have been tantamount to a loan to an enemy country.

Since SCAP had no usable currency of its own and Congress is unlikely to appropriate, even indirectly, sterling, SCAP has to set the ball rolling by offering 100 million square yards of cotton textiles to the Sterling Area in order to get funds with which to buy. All sales and purchases are to be on a cash basis so as soon as SCAP has its sterling it will start to buy.

### Problems & Prospects of the Japan-Sterling Area Trade Agreement

It would appear that everything seems ready for a grand bout of international trade. SCAP is reported to have issued orders to buy — to buy everything that is being offered in the Sterling Area with no thought of convertibility!

The way of the Hong Kong trader in Japan is not easy.

It is possible to do trade with Japan after a fashion, but the trader must be ready for repeated disappointments, delays, and frustration. It is said that to put through a contract 151 pieces of paper are required, and the cost of this paper alone would be Yen 3,000.

Documents have to go not merely through SCAP as the contracting authority but also through Boekicho, the Japanese Board of Trade. A long series of cables, half a dozen interviews, interminable waiting and still perhaps the deal is not concluded.

There may be much bitter frustration, and trade in Japan today calls for the patience of Job, the tenacity of a Churchill, the doggedness of Ulysses and the determination of Hercules.

Only the strong can survive the endless wanderings and the bitter disappointments which are the necessary accompaniments of any order placed.

The Hong Kong merchant is, however, well qualified by his experience since the end of the world war to tackle the formidable obstacles which meet the new entrant to Japanese trade.

### Import Policy of SCAP

There are, however, some features which, if known might save Hong Kong merchants some of the headaches to which they are at present subject. It is for example desirable that merchants should know what SCAP is aiming to do. At present the SCAP foreign trade section will buy two classes of goods:—

So much for SCAP's part, but what about the Sterling Area? And here may lie the rub.

Business-men in Tokyo are asking "Will the Sterling Area execute O.P.A. in the same spirit?"

SCAP has to lead and will, it is believed, give the initial drive to this Agreement. But SCAP cannot continue to buy if the Sterling Area persists in being long in sterling. What happens if the Sterling Area indulges in selective buying in Japan and in selective selling to SCAP? The Sterling area might find that it will not, or cannot, make available raw materials in the quantities required by SCAP. Since SCAP has no purchasing agents overseas and will have to operate through brokers resident in Japan, any purchasing policy is fraught with difficulties.

Will the Sterling Area treat Japan as a hard currency area for purchases but a soft currency area for sales? Will sterling be made available for purchases in Japan or will each country in the sterling block have its trade balance examined with a view to making each sovereign portion of the empire balance imports from with exports to Japan? Will Australia, selling more than she is buying, permit India to use the balance? Or will trade with the Sterling Area mean a series of bilateral agreements with Japan within O.P.A.?

(1) Those necessary to maintain a minimum standard of nutrition among the occupied population.

(2) Raw materials which can be processed for export.

SCAP will buy raw materials because exports are being made to pay for imports of raw materials. As exports increase SCAP will permit a portion of goods produced within the country to be diverted on to the home market. This proportion at the present time is very small indeed and it will be a long time before even a fair quantity of home produced goods are made available for the local populace.

As more goods are exported, (and such goods should bring a higher price on world markets than the cost of raw materials) there will be more to spend on imports, which in turn will mean more exports.

Eventually SCAP hopes that exports will be able to pay for all the supplies of raw materials and food which Japan requires. When that point is reached it may be possible to permit the import of some of those small luxury items which are unknown to the Japanese today outside the black market.

The Japanese are accordingly being told that they can work their way back to the position where they can support themselves and the harder they work the quicker they will reach that point where more food and consumer goods will be available. Until such time as the Japanese are able to pay for their own food imports the Occupation authorities are prepared to find the minimum food supplies which are necessary to ward off disease and starvation!

These are some of the questions which are being posed by business circles in Japan today. This state of affairs is not what SCAP is hoping for or expecting but unless there is the maximum freedom of purchasing and selling on both sides, it were better that O.P.A. had never been conceived. It was in a spirit of free trade that O.P.A. was born, and herein lies an opportunity of getting one portion of international trade back to a level which has not been known for years.

It is inconceivable that the world's two greatest trading nations could enter into a trading partnership which did not live up to the traditions which have made those same two nations great.

It is rumoured that O.P.A. will be followed by a Trade Agreement which will aim at balancing maximum trade between Japan and the Sterling Area. This should do much to eliminate the difficulties associated with convertibility but each side (and the world too) will be expecting from the other the most optimistic estimates of what the offerer intends to sell.

Commercial men the world over will watch whether the first great trade agreement to be produced in the East offers any more hopeful solution to the world's trading ills, than the efforts which have hitherto been made in the west.



### Export Promotion Japan's Condition Sine Qua Non

The two points to note about this programme are first that priority throughout is on exportable goods to the exclusion of goods for home consumption, and secondly that it is going to be a long and hard road before a point is reached where exports will be able to pay for desirable imports.

The onus for reducing the time so taken is on the Japanese themselves. The harder they work, the greater the productivity of their labour, the quicker they will get out of the rut of poverty in which they are to-day.

For the present, however, the purchasing programme of SCAP is limited to imports of raw materials which can be manufactured into exportable commodities.

It is therefore useless offering to SCAP consumer commodities because they are in short supply in Japan. It is equally useless to argue before SCAP officials that if more consumer goods were admitted on to the home market, the present rising inflation would be checked, or that greater in-

centives would be offered to the people to work harder. SCAP is well aware of such arguments, but recovery in Japan begins with exports and if these are used to pay for imports of consumer goods; there will soon be no raw materials for future exports. The types of goods in which SCAP is interested are listed in this Review on this and the following pages.

### Problems of Selling to Japan

In purchasing from Japan the word of a Japanese trader that such and such goods are in stock is not the last word on the subject. There may be supplies in the godowns, but SCAP may not be selling at that moment, and no amount of beseeching or begging for these goods will induce SCAP to change its export programme.

In offering goods for sale in Japan, it is essential that offers should be accompanied by samples and considerable time can be saved if an analysis certificate is forwarded in cases where the chemical content of the commodity is in issue.

Moreover, Japan is no Eldorado for

the seller. Much as SCAP wants raw materials it is not prepared to pay for them above world prices and so enhance its selling costs of the finished product.

Merchants should quote competitive prices if they require quick action.

Where commodities are purchased from Japan it is desirable that the contract prices and the Bank authority issued in Hong Kong should correspond. Delays are often experienced because a contract has been signed and it is then found that the Bank authority is a few hundred dollars short of the contract price and the Bank authority has to be amended from the Hong Kong end.

There is at present a strong move in SCAP to eliminate a number of the official hands through which a contract must pass. In the near future it is hoped that contracts may be negotiated between the merchant parties themselves and that SCAP will merely signify its approval to the completed contract, but this will not imply the abandonment of import licences, export licences and exchange control generally.

## TRADE WITH JAPAN

### LISTS OF IMPORT & EXPORT COMMODITIES

#### I. EXPORT MERCHANDISE CATALOGUE

This listing is intended to represent a catalogue of export goods.

Items are being produced and sold in a constantly changing pattern. Therefore, this list cannot be construed as a list of items in inventory or under current production.

Requests for information concerning the availability of the listed commodities for export should be directed to the Export Bureau of Boeki Cho (The Japanese Board of Trade), Tokyo, Japan.

##### 1.—CERAMICS

Sanitary Ware  
Porcelain Insulators low tension  
Wall tiles  
Mosaic tiles  
Dinner sets:

93 pcs.  
63 pcs.  
53 pcs.

Tea sets:

29 pcs.  
24 pcs.  
23 pcs.

Tea and coffee sets, 15 pcs.

Tea pots

Bowls

Plates

Cups and saucers

Art tableware

Artware: coffee and tea set

Figures, vases, wall pocket

ornaments, covered boxes, etc.

Art ornaments, stationery, etc.

Wash basins, enamel

Soup and meat plates, enamel

Mugs, enamel

Trays, enamel

Dinner carriers, enamel

Chamber pots, enamel

Water bottles, enamel

Tea kettles, enamel  
Coffee pots, enamel  
Finger bowls, enamel  
Rice spoons, enamel  
Pie dishes, enamel  
Cauldrons, colanders, spittoons, etc., enamel  
Sheet glass  
Glass bottles  
Glass tumblers  
Glass tableware  
Oil Lamps and Lanterns  
Vacuum bottles  
Stem glasses  
Glass mirrors  
Glass flower vases, ash trays  
Laboratory equipment, glass, porcelain, and enamel

##### II.—CHEMICALS AND RELATED PRODUCTS

Copper sulfate  
Iodine, crude  
Organic pigments  
Paints  
Printing ink  
Writing Ink  
Pigments  
Sodium alginate  
Incense  
Joss-sticks

##### III.—DRUGS AND HEALTH SUPPLIES

Abies oil  
Agar-agar  
Camphor  
Camphor oil  
Hair dyes  
Essential oils  
Eucalyptus oil  
Fish livers  
Ginseng  
Heliotropin  
Loofah  
Menthol crystals  
Needles, injection  
Optical frames  
Optical lens  
Patent medicines  
Jintan  
Wakamoto  
Safrol  
Sperm head oil  
Portable X-ray apparatus  
X-ray film  
Dental chairs  
Dental unit  
Dental engines  
Tooth brushes  
Surgical instruments  
Sterilizers  
Sun glasses  
Syringes  
Thermometers  
Toilet articles and cosmetics:  
Vanishing cream  
Face powder  
Hair pomade  
Rouge  
Tooth powder  
Tooth paste  
Vegetable wax  
Vitamin A oil  
Vitamin D oil  
Vaccines  
X-ray equipment screen intensifying comb



Film marker  
Film hanger  
Dental lathes  
Dental lab equipment  
Rolling mills (dental)  
Dental articulators  
Dental broaches

#### IV.—FOODS AND SEEDS

Dried mushrooms  
Dried oysters  
Dried abalone  
Dried compoy  
Dried shark fins  
Dried cuttlefish  
Dried sea cucumber  
Dried lilac sea cucumber  
Dried shrimp  
Dried bonito (Katsuoibushi)  
Dried seaweeds (Nori)  
Dried tangle (Kombu)  
Canned crabmeat  
Canned sardine in oil  
Canned tomato sardine  
Canned pepper sardine  
Canned smoked yellow tail in oil  
Canned smoked oyster in oil  
Canned boiled sardines  
Canned boiled mackerel  
Canned pink salmon  
Canned tuna in oil  
Canned clam (Hokki)  
Canned clam (baby)  
Canned asparagus  
Canned bamboo sprout  
Canned green peas  
Canned mushroom (fresh white mushrooms)  
Canned mandarine orange  
Canned marmalade  
Canned jam  
Canned pickle (Fukuinzuke)  
Frozen swordfish  
Frozen frog  
Frozen scallop  
Frozen albacore  
Frozen red snapper  
Frozen oysters  
Frozen abalone  
Frozen baby clam  
Frozen octopus  
Frozen cuttlefish  
Tea  
Fresh apples  
Ajinomoto  
Pickle (Umeboshi)  
Pickle (Rakkyo)  
Wilkinsen Tansan  
Soy sauce (Shoyu)  
Whale oil  
Natural coral trees  
Lily bulbs  
Tulip bulbs  
Vegetable seeds  
Larch tree seeds

#### V.—FURS

Silver fox  
Red fox  
Japanese Tanuki  
Japanese mink  
Squirrel  
Flying squirrel  
Marten  
Hare

Rabbit  
Nutria

#### VI.—HANDICRAFTS AND NOVELTIES

Toys (mechanical)  
Toys (celluloid)  
Toys (wooden, paper, etc.)  
Artificial flowers (cotton or paper)  
Artificial flowers (celluloid)  
Miniature electric bulbs  
Celluloid toilet sets  
Celluloid ornaments  
Celluloid combs  
Celluloid ping pong balls  
Paper hat bodies  
Hemp hat bodies  
Straw braids  
Cnip braids  
Hemp braids  
Paper cloth  
Imitation pearl necklaces  
Ivory ornaments  
Party items (blowouts, noise-makers, etc.)  
Artificial fishing gut  
Fishing jigs and lures  
Fountain pens  
Hemp cloth  
Rice straw rugs  
Grass matting  
Sewing needles  
Sewing needles, books  
Antimony ware  
Umbrellas  
Slippers  
Paper parasols  
Shell buttons  
Pearlized buttons  
Plastic buttons  
Lacquerware  
Cloisonne ware  
Crystal necklaces  
Crystal beads  
Pen nibs  
Lead pencils  
Gold Fish  
Seed oysters (available July-Sept.)

#### VII.—LIGHT MACHINERY AND METAL GOODS

Electric light bulbs  
Electric irons  
Electric fans  
Electric ovens and toasters  
Electric fittings  
Musical instruments  
Harmonicas  
Phonographs  
Phonograph records  
Calculating machines  
Typewriters  
Spring scales, household type  
Trip scales  
Beam scales, wooden  
Beam scales, steel  
Bicycles  
Bicycles, parts  
Cameras  
Watches and clocks  
Slide rules  
Drawing instruments  
Motion pictures  
Binoculars  
Magnetic compass  
Barometer (gauges and accessories)  
Gas indicator (coal mine and tanker)

Hoe, hand type  
Cultivator, hand type  
Plow, hand type  
Rice threshing machine  
Telephone sets  
Switchboard  
Radio receivers  
Radio transmitters  
Amplifier system  
Radio weather equipment  
Vacuum tubes, receiving type  
Vacuum tubes, transmitting type  
Vacuum tubes, repeater type  
Portable sewing machines, hand operated  
Portable sewing machines, electric  
Tread type sewing machines  
Footlockers, aluminum  
Luggage, aluminum  
Steamer trunks, aluminum  
File cabinet, aluminum  
Stationery cabinet, aluminum  
Executive desks, aluminum  
Aluminum wares  
Hardwares  
Cast iron kitchen utensils  
Cast iron rice bowls  
Charcoal irons  
Cauldrons  
Stainless steel wares  
Industrial lighting fixtures  
Vehicular lighting fixtures  
Desk and reading lamps  
Floodlights  
Table silverware  
Copper sheeting  
Brass sheets

#### VIII.—LUMBER, PAPER, AND BUILDING MATERIALS

Hardwood lumber  
Plywood (oak)  
Plywood tea chests  
Box shooks  
Figured ash veneer  
Wood shavings for match boxes  
Match sticks  
Galvanized iron wire netting  
Green enamelled iron wire netting  
Copper wire netting  
Brass wire netting  
Iron wood screws  
Brass wood screws  
Brass shoe nails  
Wide cloth for paper mills  
Padlocks  
Door locks  
Miscellaneous building hardware  
Building marble  
Cement  
Bamboo rakes  
Bamboo rake heads  
Bamboo tuna poles  
Bamboo poles W/pipe  
Bamboo vaulting poles  
Bamboo blinds  
Bamboo nursery stakes  
Green bamboo  
Tosa Tengujo paper  
Mine Tengujo paper  
Gifu Tengujo paper  
Various Japanese paper using Mitsumata  
Various Japanese paper using Koza and Gampi  
Cellophane

Bamboo plywood  
 Bamboo veneer 3' x 3' 3 ply  
 Bamboo shoe sticks  
 Bamboo whangee canes  
 Black and white bamboo fishing poles  
 (Hotei and Nagoya quality)  
 Split bamboo blanks for fishing rods  
 Bamboo skiing poles  
 Bamboo furniture and rug poles  
 Simili paper  
 Woodfree printing paper  
 Glassine paper  
 M. G. Poster paper  
 Drawing paper  
 Bond and typewriting paper  
 M. G. cap paper  
 Duplex board paper  
 Coated paper  
 Banknote paper  
 Cigarette paper  
 Photographic paper  
 Machine-made insulating paper  
 Hand-made copying paper (Mino)  
 Wrapping paper  
 Telegraphic paper tape  
 Copy paper, machine made  
 Tissue paper, colored  
 Notebooks  
 Strawboard  
 Playing cards  
 Japanese playing cards (Hanafuda)  
 Metal leaf  
 Japanese magazines  
 Japanese novel books

#### IX.—METALS AND MINERALS

Zinc  
 Mercury  
 Sulfur  
 Pencil clay  
 Metallic manganese  
 Ferro manganese  
 Silicon manganese  
 Ferro silicon  
 Ferro chrome  
 Ferro tungsten  
 Ferro molybdenum  
 Ferro phosphorus

#### X.—RUBBER AND LEATHER GOODS

Auto tires and tubes  
 Bicycle, Rikisha tires and tubes  
 Canvas shoes  
 Rubber boots and shoes  
 Rubber belting  
 Rubber hose  
 Other rubber goods  
 Leather belts  
 Leather gloves  
 Leather articles (billfolds, coin purses, etc.)  
 Leather wrist watch bands  
 Leather suitcase (includes brief cases)  
 Industrial leather goods

#### XI.—TEXTILES

Silk worm eggs  
 Raw silk  
 Silk broad woven fabrics  
 Fabricated silk wear and silk goods  
 Lacquered silk netting  
 Carded cotton yarn

Cotton piece goods  
 Cotton knit goods  
 Cotton towels  
 Cotton blankets  
 Cotton fishing twine and nets  
 Cotton floor coverings  
 Rayon broad woven fabric (filament)  
 Rayon broad woven fabric (spun)  
 Rayon yarn (filament)  
 Rayon yarn (Spun)  
 Linen tablecloths and napkins

Linen tablecloths (drawn work)  
 Roll towel, linen  
 Linen shirting  
 Linen suiting  
 Linen linings  
 Worsted and woolen yarns  
 Worsted fabrics (100% wool)  
 Woolen fabrics (100% wool)  
 Woollen blankets  
 Ramie fishing net twine  
 Angora rabbit hair

#### XII.—HEAVY MACHINERY

Tugboats, wooden, 50 HP  
 Tugboats, wooden, 115 HP  
 Barges, wooden, 25 DW  
 Barges, wooden, 50 DW  
 Barges, wooden, 1000 DW  
 Seiner boats, wooden  
 Steam locomotives, Railway  
 Freight cars, tank cars, reefers  
 Steam locomotives, industrial  
 Electric locomotives, industrial  
 Gasoline locomotives, industrial  
 Rice threshers, agric, machine, power-driven  
 Rice hullers, agric, machine, power-driven  
 Rice polishers, agric, machine, power-driven  
 Grinders, agric, machine, power-driven  
 Electric motors, under 7½ HP  
 Repair parts of turbo-generators, arc furnaces and other electrical machinery for China, Malaya, etc.  
 Internal combustion engines, land use: Kerosene, diesel, semi-diesel and gasoline engines  
 Internal combustion engines, marine use: Kerosene, diesel, semi-diesel and gasoline engines

Wood-working machinery, hand-saw machines, hand-feed planers, circular sawing machines, veneer machines, etc.  
 Printing and book-binding machinery: stop cylinder press, Offset printing machines, book-binding machines, rotary printing presses, etc.  
 Spinning machinery  
 Parts of spinning machinery:  
 Bobbin  
 General parts  
 Weaving machinery:  
 Cotton loom  
 Silk & rayon loom  
 Parts of weaving machinery:  
 General parts  
 Shuttle  
 Steel reed  
 Wire heald  
 Knitting machinery:  
 Circular plain knitting machine  
 Automatic hosiery knitting machine  
 Hand flat knitting machine  
 Knitting needle  
 Black & galvanized steel sheets  
 Oil storage tanks  
 Steel pipes, oil

## II. IMPORT REQUIREMENTS FOR JAPAN

This list merely indicates in general the materials programmed for import into Japan. It is NOT to be construed as an invitation to bid.

Purchases for Japan are confined to raw materials and commodities for the basic minimum economy, for the production of export commodities.

Requests for information regarding status of procurement should be directed to the Import Bureau of the Beki Cho (The Japanese Board of Trade), Tokyo, Japan.

#### I.—AGRICULTURAL SUPPLIES.

Fertilizers  
 Nitrogenous Fertilizers  
 Potash Fertilizers  
 Insecticides  
 Nicotine Sulphate  
 DDT Crystals  
 Derris Root  
 Vegetable Seeds  
 Red Clover  
 Common Vetch  
 Hairy Vetch

Orchard Grass  
 Jute  
 Timothy  
 Horse Beans  
 Other Seeds and Agricultural Supplies

#### II.—CHEMICALS AND RELATED PRODUCTS

Carbon Black  
 Nickel Sulphate  
 Sodium Hydrosulphite  
 Normal Amyl Acetate  
 Benzene  
 Pyridine  
 Naphthalene  
 Sodium Sulphide  
 Salt Cake (Anhydrous Sodium Sulphate)  
 Sodium Acetate  
 Potash (60% K2O) and Potassium Chemicals  
 Casein  
 Corn Starch  
 Other Chemicals and Related Products



**III.—COAL**

Anthracite Lump Coal  
Coking Coal (Heavy)

**IV.—DYES AND TONERS**

Direct Colors  
Acid Colors  
Basic Colors  
Alkali Blue Toners  
Other Dyestuffs

**V.—FOOD**

Wheat  
Flour  
Coarse Grains  
Soy Beans  
Soy Flour  
Dry Skim Milk  
Sugar  
Other Foodstuffs

**VI.—FODDERS AND FEEDS**

Fodder  
Wheat Bran  
Other Feedstuffs

**VII.—GUMS AND RESINS**

Arabic Gum  
Tragacanth Gum  
Dammar Gum  
Copal Gum  
Seedlac  
Sticklac  
Shellac  
Rosin  
Turpentine  
Other Gums and Resins

**VIII.—HIDES AND SKINS**

Cattle Hides  
Buffalo Hides  
Calf Skins  
Sheep Skins  
Other Hides and Skins

**IX.—OTHER ANIMAL PRODUCTS**

Crushed Bones  
Bone Sinews  
Hide Fleshings  
Cattle Bones (for Buttons)  
Sponges  
Bristles  
Other Products of Animal Origin

**X.—INTERMEDIATES**

Benzidene  
Carbazole  
Cresol, Resin Grade  
Other Intermediates

**XI.—LUMBER AND LOGS****XII.—MEDICAL SUPPLIES AND EQUIPMENT**

Finished Medicines  
Narcotics  
Raw Medicine Materials

**XIII.—METALS AND METALLIC ORES**

Iron Ore

Pig Iron  
Lead  
Tin  
Nickel  
Antimony  
Aluminous Shale  
Nitre  
Cryolite  
Manganese Ore  
Eauxite Ore (or Alumina)  
Other Metals and Metallic Ores

**XIV.—MINERALS AND NON-METALLIC ORES**

Talc  
Borax Ore  
Graphite (Amorphous and Crystalline)  
Mica  
Flint Balls  
Lining Stone  
Magnesia Clinker  
Kaolin  
Salt  
Ceramic Colors  
Titanium  
Other Non-Metallic Ores and Minerals

**XV.—OILS, FATS AND WAXES**

Beef Tallow  
Palm Oil  
Tung Oil  
Balsam Oil  
Clove Oil  
Fennel Oil  
Lavender Oil  
Choji Oil  
Carnauba Wax  
Ceresine Wax  
Others Oils, Fats and Waxes

**XVI.—OIL SEEDS AND OTHER OIL-BEARING MATERIALS**

Cotton Seeds  
Peanuts  
Perilla Seed  
Sesame Seed  
Copra  
Hemp Seed  
Other Seeds or Oil Derivatives, Edible or Inedible

**XVII.—PETROLEUM AND PETROLEUM PRODUCTS**

Gasoline  
Kerosene  
Diesel Oil

Lubricating Oil  
Grease  
Paraffin Wax  
Asphalt

**XVIII.—PLANTS AND PLANT PARTS**

Gellidium Bearing Seaweed  
Hakkyu (or Hakkyu Wood)  
Cork (or Cork Bark or Waste)  
Other Materials of Plant Origin

**XIX.—PULP**

Kraft Pulp  
Rayon Pulp  
Sulphite Pulp  
Cotton Linters and Other Pulp Materials

**XX.—RUBBER**

Latex  
Crude Rubber  
Scrap Rubber

**XXI.—SHELLS, UNMANUFACTD.**

Tortoise  
Turtle  
Mollusk  
Trochus  
Others

**XXII.—TANNING MATERIALS**

Quebracho Extract  
Wattle Extract  
Myrabellum  
Other Tanning Materials

**XXIII.—TEXTILE MATERIALS**

Abaca  
Raw Cotton  
Raw Wool  
Hemp  
Jute  
Ramie  
Other Cordage and Fibre Materials

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Agricultural Supplies, Food and Medicine Supplies are to be procured through Department of Army, Food Administrator For Occupied Areas, Washington, D.C.

Petroleum and Petroleum Products are to be procured through the Army, Navy Petroleum Board, Washington, D.C.

## Controlled Coal Imports and Distribution in Hongkong

Coal merchants have recently petitioned Government to lift the control over imports, prices and distribution of coal as they feel frustrated to make higher profits under the present system of fixed prices. In view of the fact that coal remains a scarce commodity which is under world allocation the local control has to continue.

All coal imports are obtained by Hongkong through regular allocations from the Coal Committee at London. The Fuel Section of Dept. Supplies,

Trade & Industry is authorised to distribute coal at fixed prices to the Colony's direct consumers and the coal dealers.

The stock position this year is much improved against last year. Current stocks total about 60,000 tons which is adequate to cover the Colony's requirements for three months.

Imports of coal during the months of April and May aggregated, in 12 shipments, over 59,000 tons. Countries of origin were: Japan, India, Union of South Africa and French Indochina.



## EXCHANGE & FINANCIAL MARKETS

### Facts about the Chinese Monetary Inflation

Two significant statements were made last week with regard to the spiralling inflation in China. Mr. Chen Li-fu, the most powerful man in the Kuomintang next to President Chiang Kai-shek, when visiting Washington issued a prepared statement to the press, on June 18, which reads, inter alia:

"China is in the midst of inflation and the value of her currency depreciates proportionately with the speed of inflation. Economic and financial experts in China have long tried to devise some remedy to the situation. Many plans for currency reorganisation or reform have been devised. However, regardless of whether the plan is based on the gold standard or return to use of silver, the plan can only succeed if more stable conditions can be achieved."

The new Premier, Mr. Wong Wen-hao, when addressing the Legislative Yuan in Nanking, on June 15, admitted that the Government had as yet no workable currency reform programme, that price fluctuations (i.e. the ever higher prices for commodities, foreign exchange, gold etc.) "are chiefly attributable to inflation" (of the legal tender), and that it was impossible to balance the budget of the state.

Without, however, achieving this balance there was no hope for an improvement; in fact, deterioration appears inevitable.

The Premier's reference to the impossibility to balance the state budget reads as follows:—

"So far as the ordinary budget is concerned, no effort will be spared to balance it. Inasmuch as expenditures of the extraordinary budget consist mainly of military appropriations and funds for financing military projects, to balance it will be out of question."

Under these conditions it appears that the semi-official statement of last May, made in Shanghai at a time of hectic price movements, with regard to Hongkong as the source of all evil cannot be regarded, as in fact it always was regarded, as any better than another proof of sinister propaganda. About a month ago, when the black market rate of US\$ approached CN\$ 1 million, it was stated in Shanghai that "the national emergency calls for speeding up negotiations with the Hongkong Government to halt the circulation and manipulation of CN\$ and US\$ in Hongkong".

The above quoted statements made by Messrs. Chen Li-fu and Wong Wen-hao also made it clear that the ubiquitous excuse of the Shanghai authorities as to the skyrocketing of prices has very little to do with the big bad speculators and hoarders.

### CIRCULATION OF PRINTING PRESS MONEY IN CHINA

The actual figures of note circulation in China are never revealed but at times statements are made in Nan-

king's Legislative Yuan which serve to indicate the increasing amounts of new issues.

The new Finance Minister, Mr. Wang Wun-wu, mentioned at a session of the Legislative Yuan, on June 17, that at the end of May this year the CN\$ issue totalled 135 trillion. He failed to elaborate whether this figure also includes the issue of so-called Customs Gold Units which scrip has been put out since the beginning of this year in enormous quantities, highest denominations equalling CN\$ 100,000 at the moment.

Provided that the figure of 135 trillion is accepted, the conversion value, at the end of May, of this astronomical amount would be only US\$ 290 million, if the "open market rate" of Central Bank of China is taken as basis of calculation, or US\$ 100 million only, if computing according to then current black exchange market rate.

The currency issue figures of Nanking do not include the Taiwan dollar and North-East dollar issue. The reduction in area in which the CN\$ circulates, as a consequence of Communist occupations of territory especially in the North, must also be considered.

However, the most important factor in China's note circulation is the parallel use of private and bank cheques and other privately issued pieces of paper which are accepted widely and have substituted the use of CN\$ notes. The high speed of circulation is another reason for the apparent small amount of Chinese currency said to be in circulation.

Financial circles in Shanghai do not trust in the accuracy of the figure given by the Finance Minister in Nanking; they insist that only the note issuing Central Bank is to make a statement and that such statement has never been made since 1938.

The total issue of CN\$ and so-called Customs Gold Units was estimated to have totalled, by the middle of June, at least 250 trillion, or a quarter of a quadrillion. (We are now entering into the next phase of Chinese inflation when even a million million, that is a trillion, no longer suffices to express the height of China's note issue; but with the help of astronomical mathematics the problem can be mastered. A quadrillion is a thousand trillion; and then there comes the quintillion).

Even a note issue of 250 trillion appears small when converting it into foreign exchange at the various rates now in use in China. At the "open market rate" the equivalent of the 250 trillions would be only US\$ 530 million, at the combined "open market rate" plus Exchange Surrender Certificate premium the equivalent would amount to US\$ 180 million, and at the black market rate the equivalent is only US\$ 100 million. (US\$ 1 quoting last week "open market rate" CN\$ 474,000; Certificate premium about 960,000; black market rate CN\$ 2.3 to 2.5 million).

It is understandable that there is a great clamour for "currency reform" in China. But all reports and astute opinions cannot change the facts which remain that inflation in China will continue until peace and order have been established in the country.

An alternative to peace, order, security and honest and efficient Government which balances its budget might be American finance of China's internal and external payments. But this eventuality is now more unlikely than ever.

### THE BUDGET OF CHINA

The new Finance Minister informed the Nanking Legislative Yuan that the state revenue for the six months period of July to December 1948 has been estimated to be CN\$ 300 trillion while state expenditure should be in excess of 540 trillion.

The May revenue and expenditure of the Chinese Govt was 15 trillion and 75 trillion respectively.

How useless such estimates are in present-day China when daily more trillions of bank notes are printed will be seen when comparing the estimates for the first six months of 1948 which were: expenditure 96 trillion, revenue 58 trillion. The actual expenditure of Nanking for the current month will greatly exceed the total estimate for the first six months of 1948.

At the time when the Jan./June 1948 budget was introduced in Nanking several official spokesmen made what they believed very important statements, viz. (1) the Chinese currency is to be stabilised very shortly; (2) the Government will no longer resort to the printing of bank notes in order to balance its deficit; (3) the further issue of bank notes will be limited or discontinued altogether; (4) the imminent linking of CN\$ to the American dollar and an American currency stabilisation loan to Nanking may be expected by the public.

Six months after these announcements, accompanied by much propaganda in the press and over the radio, the hard facts condemn these official and semi-official statements as what they are and probably were meant to be.

\* \* \* \* \*

### CHINA'S EXCHANGE SURRENDER CERTIFICATES AND THE OPERATION OF THE NEW PREMIUM SYSTEM

At the time of the introduction of the new rate or premium for a "Exchange Surrender Certificate" as from May 31, the official "open market rate" of Central Bank of China (CN\$474,000) was some 35% higher than the "Certificate premium" of about CN\$350,000 per US\$1. With the advance in inflation and the skyrocketing of commodity prices the black market exchange rates also went up and in sympathy with this rate the premium for Certificates—which is tacitly linked to the black market rate—increased almost every day.



The premium reached at the end of last week CN\$1 million per US\$1. At that time, however, the black market price in Shanghai was around CN\$2.4 million.

Last week exporters in Shanghai obtained from the Govt. appointed banks for their export bills 28% to 40% less than the "black market" would have paid. The "open market" rate plus Certificate premium have been since the start of this system considerably below the black market rate. This will continue.

Beneficiaries of foreign exchange remittances from abroad receive the same amounts as exporters with the difference that they do not obtain a Certificate but are being paid immediately the "open market" rate plus the premium for Certificates ruling on the day of cashing a draft. As the black market will remain much more attractive for overseas Chinese remitters and their families in China, the attraction amounting to a better rate of about 30 to 40% against the combined "open market" rate plus Certificate premium, very little if any improvement should be noticed in the exchange earnings of the Nanking Treasury.

The policy of Central Bank of China to keep an "open market rate" in force, which is utterly anachronistic and now amounts to only about 20% of the black market rate or less than 50% of the Certificate premium, can have only one purpose, viz. to pay off such bonds (and interests accruing thereon) contracted by the Chinese Govt. on the express promise to redeem them in foreign exchange at the "open market rate"; it is, however, more than possible that all "foreign exchange" war-time bonds which may partially mature this year will be paid at the official or "historic" rate of Central Bank of China which is CN\$12,000 per US\$1.

The "open market" rate of Central Bank of China is a farce. It should be abandoned.

By such methods as are used by the Nanking authorities in dealing with foreign exchange and trade problems the little support which the Government still commands among business men may be rapidly lost. The only official excuse for the authorities' dabbled along the path of national ruin might be that economic disintegration has progressed too far and that no order can be brought out of the present chaos.

While the public is supposed not to learn about the skyrocketing of black market rates the daily increase in the rate of the premium for Exchange Surrender Certificates indicates the trend of inflation well enough. The premium was last week half or only 45% of the black market rate.

#### FINANCIAL TRANSACTIONS IN HONGKONG

The Hongkong Stock Exchange is the only market where local stocks and shares and Government loans are traded but there exists a curb exchange where however small lots only change hands. The turnover at the Stock Exchange during the first five months of 1948 amounted to a total of

\$88¼ million or a monthly average of \$17.65 million. Month by month the turnover at the Exchange was as follows:—(in millions of dollars)—

January	13.3
February	29.8
March	17.9
April	12.5
May	14.5

Transactions in cash gold bullion at the Chinese Gold & Silver Exchange Society and in the curb market, which is controlled by a few native banks, during the first five months of this year amounted to 925,000 taels involving a total amount of about \$298 million, or a monthly average of \$59.6 million. In the above figures only spot sales have been considered; the forward trading, both for delivery and for margin settlement, involves huge amounts.

The monthly average of transactions in the unofficial US\$ market is \$38 to 40 million.

By comparison with the above monthly averages for share, gold and unofficial US\$ trading, the monthly averages for the Colony's trade are as follows:—imports \$157½ million, exports \$114¼ million.

#### CHINESE GOLD & SILVER EXCHANGE SOCIETY OF HONGKONG

The annual meeting of the Exchange Society was held last week at which the following officials were elected:—Chairman Mr. Ho Sin-hang; Vice-chairman Mr. Lui Yat-chiu of the King Pook Bank; Joint Treasurers the Hang Shing, Dao Heng, Choi Kee and On Tai native banks; Supervisors Cheuk Kee, Yee Sang, Kung Shun and Po Tak native banks. Members of the committee: Fat Cheong, Man Fat, Wing Lung, Lai Yuan, Wing Hang, Kwong On, Ying Shun, Tai Sang, Wing Kee, Mow Cheong and Yan Fat native banks.

#### US\$ TRANSACTIONS

Although last week there was a considerable turnover in the unofficial market with almost US\$2 million sold—TT US\$1,274,600; Drafts US\$522,000; Notes US\$190,000—quotations showed weakness and suppl., especially coming from overseas Chinese remitters, was more than the market appeared to be in a position to absorb. There was some offtake by gold importers which caused temporary firmness of the rate. Barring any large quantity of gold to be imported during the next week or fortnight there should be no change in the present unofficial US\$ rate.

International currency markets have shown more confidence in the stability of Sterling and higher unofficial cross-rates, near and even slightly exceeding US\$3, have been reported from many centers. Zurich transacted much business at crossrates from 2.84 to 2.88 while New York free market sales of American account sterling moved close to 3.

The highest and lowest rates in Hongkong last week per US\$100 were as follows:—Banknotes HK\$549—542; Drafts 550—542; TT New York 553—547; equalling US\$18.08—18.28 per

HK\$100. Thus the unofficial TT rate was last week on the average 27% lower than the official quotation. The highest and lowest crossrates here were last week:—US\$2.89—2.93.

During recent months the local native banks have assumed a much more important position in the unofficial trading in the US\$ market. An increasing number of Hongkong exporters have come to sell their export bills at native banks. The purchase of drafts mostly from overseas Chinese has always been a specialty of native banks. European exchange dealers have to an increasing extent surrendered their previously more important position in the local market to Chinese native banks, of whom the most prominent are:

Shun Hang, Hang Seng, To Hang, Hang Loong, Wing Loong, Tai Sang, Sing Kee.

Owing to its affiliation with the leading Macao native bank of Tai Foong the local bank of Hang Seng may be regarded as the foremost native bank engaging in US\$ and gold transactions.

An important source of supply but also at times a very insistent buyer remains Shanghai as considerable amounts for purposes of trade, investment and speculation are bought or sold by Shanghai interests in the local market as a consequence of insufficient resources being available in China.

As regards US Banknotes the local market disposes of a rather small amount, native bankers estimating the local circulation at US\$200,000 (which figure of course does not include hoards). The usual movement of notes is from the US (imports by overseas Chinese and traders) to Shanghai and Canton and also leading centres of Chinese emigration in South China (Toishan, Chungshan).

#### GOLD TRANSACTIONS

Highest and lowest prices last week per tael: HK\$329¼—322, the cross-rate being almost unchanged at US\$ 49¼/49½.

Total transactions in the local market: spot inside the exchange 11,410 taels, outside 23,840, forward market delivery 249,840, paper bars, 371,440.

Crossrates in China approximated Hongkong, between 49 to 50 being quoted in Shanghai.

Imports were under average as sales to China do not properly move. The question of transport both from Macao and from Hongkong into China presents no difficulty but the offtake in China is extremely slow. Macao is plentifully supplied with gold but it is not a simple proposition to dispose of it profitably. Arrivals of gold in the Portuguese Colony are much larger than exports to China.

US recorded exports of gold during the two weeks ending June 2 to the Far East aggregated: US\$396,534 to Macao, US\$208,213 to Indonesia, US\$55,056 to Manila.

Gold in Canton was on the average about the same as in Hongkong. Gold in Shanghai opened at CN\$94 million and reached the peak price of CN\$129 million.



### Skyrocketing Prices and Terror in Shanghai

The avalanche of China's printing press money and the many "subsidiary" media of payments now current in China which are recklessly used have created last week's financial crisis in Shanghai and all major cities in the country. Gold was quoted at CN\$ 130 million in Amoy and 140 million in Nanking (per troy ounce).

As is customary during periods of skyrocketing prices the combined forces of the economic police, gendarmerie and secret service go on a rampage in Shanghai (quite frequently also in other cities) and arrest, search and confiscate ad lib.

It is naively expected that a few arrests and seizures will alter the course of events, or there may be ulterior reasons of get-rich-quick which prompt such sallies by uniformed and secret service men into the pastures of unprotected brokers and merchants.

The gold market was not really disturbed about the terror and a few confiscations but transactions were reduced although prices remained buoyant.

The real sickness of the Shanghai gold market is the decreasing purchasing power of the earning classes and the largely accomplished satisfaction of the big demand of the leading groups in the country. It is always the same conclusion; one cannot sell to a poor house.

### Problem of Sales by Macao to China

This point has been duly studied by the many gold importing and transporting interests in Macao. It is quite simple to order gold abroad and airlift it into Macao from where, although officially exports are not permitted except with permit which, is of course not obtainable if consignments are made to China, it has to be shipped out to China.

Prominent Chinese interests in Canton and Nanking derive big profits from this illicit Macao-China gold transport and the treasury of the Portuguese Colony has also netted very large amounts which leave far behind the revenue totals obtained by Macao from its opium and gambling monopolies, the two principal sources of earnings by the Portuguese Colony in prewar years.

Chinese bankers in Macao are anxious to buy gold from any source in Europe and America and are now paying upon taking delivery, directly TT New York (e.g. US\$ 48 or 48½ per troy ounce, c.i.f. Macao) while previously, in the majority of cases, the native banks paid to the local or Macao agents of foreign gold exporters the c.i.f. Macao price in HK\$ which necessitated the purchase by these foreign agents of TT New York in the local unofficial exchange market.

Last week's imports of gold into Macao were considered too large, in view of the fact that the sales to China

show no sign of an early improvement. There are no exact figures available as to the amounts of gold discharged from the several flying boats calling regularly on Macao.

The Macao Govt. never publishes any trade statistics and no official of that Govt. can be induced to divulge information to which the public is of course entitled. The movement of merchandise and the trade in gold are equally kept only for the select few. An esoteric circle keeps the curious taxpayers and otherwise supposedly loyal citizens away from business which is very private indeed.

The origin of gold shipments is much easier to determine than the exact weight; the flying boat manifests are not generally trusted as being very correct—as far as treasure is concerned. Several tens of thousands of ounces last week were imported by a leading British bullion firm.

### Market Report

The Market opened last week almost at the highest rate of the week, but was at close near the lowest level. The decline during the week was very gradual and the Market generally was rather quiet during the greater part of the week, according to the report by Mr. Elias.

Reasons for the decline were generally attributed to the following factors:

(1) Heavy arrivals in Macao, which were perhaps not generally anticipated owing to continual reports regarding the difficulty of obtaining fresh supplies of gold from abroad.

(2) The off-take has been extremely poor during the past week. Whereas the demand from Canton is to a great extent satisfied direct from Macao rather than from Hongkong, Shanghai who are usually considered chiefly responsible for the off-take from Hongkong, have not been in a position to absorb more than a few hundred ounces daily (while at one time at least two or three thousand ounces per day found their way into Shanghai). The reason for this change is two fold. Firstly, the extremely stringent measures adopted by the Police and Customs Authorities in Shanghai, and secondly, the currency depreciation in China has created further difficulties.

(3) Other contributory factors were the probable restoration of the original ERP figures, which had a tendency to improve confidence in sterling.

(4) The lack of any rumours during the past week regarding the possibility of sterling devaluation in the near future.

Chartists are unanimously of the opinion that the Market will move to lower levels. Nevertheless, from all information available at the present time, it appears probable that considerable buying may be expected at rates below 320. There is reason to believe that many fresh bulls are awaiting an opportunity to enter the Market at around 320. The Market is in a position to respond to any special news in either direction, and traders appear to be hesitant, awaiting some fresh incentive before entering the Market.

### SILVER TRANSACTIONS

On account of small imports local dealers continue to quote prohibitive prices and shipments to the US are therefore made only in small lots and at practically no profit, exporters making more or less token shipments just to keep the flag flying.

A new development occurred when a shipment was made to the UK. Unrefined silver ingots are exported to London where they are refined and on the basis of the weight of pure silver local dealers are paid an agreed price which is in line with the local quotations, viz: HK\$4.04 per tael, and \$2.55—2.60 per silver dollar.

Transactions last week totaled 48,000 taels, \$5,400 and \$72,000 worth of dollar and subsidiary coins respectively.

### BANKNOTE MARKETS

Sterling notes were in good demand but transactions were few. In sympathy with the higher prices in New York which exceeded US\$2.92 the local selling price came up to HK\$14 which however is still below the cross-rate for Bank of England notes.

The piastre market remained unchanged. Sales in the spot market aggregating last week 5.5 million inside the Exchange and 6.6 m. outside, while the forward market sold 4.3 m. piastres.

### CHINESE MONEY MARKET

Financial and general economic deterioration in China is proceeding. The situation becomes ever more critical.

During last week the black market rates for foreign currencies in Shanghai depreciated by 28%. The opening rates for US\$ and HK\$ in Shanghai were: CN\$1,900,000 and 316,000 respectively and within few days the record prices of 2½ m. and 430,000 for the two foreign currencies were reached.

In Canton, Hongkong notes opened last week at 200,000 topping later 285,000. The local market transacted the following volume: TT Shanghai CN\$3.196 billion TT Canton 942, spot banknotes 326 and forward notes CN\$106¾ billion.

Highest and lowest prices in the local market per CN\$10 m. spot notes 39¼—29¼, forward notes 36¾—27¾, TT Shanghai 31¼—22¼, TT Canton 34½—25¼.

### Taiwan Dollar Exchange

The Taiwan dollar seems to have been severed entirely from the mess which is the CN\$. Not much information is available about the principles which determine the fixing of the Taiwan \$ rate in terms of Nanking's legal tender. While the new deal in Taiwan, obviously sponsored by the U.S., after the great slaughter of former Governor-General Chen Yi, has obviously benefitted the people and the economy of that rich Island, the former procedure of keeping the CN\$ linked for a period of many months to



the Taiwan dollar has been dropped since some 3 months ago.

Many protests have been launched by the Taiwanese but if they would not have had the sympathy and support of certain U.S. authorities, the spoliation of the "booty" of Taiwan may have continued and eventually also landed the island in the morass of China. However, the treatment of Taiwan dollar as an, to all intents and purposes, foreign currency means a great help to Taiwan's economy.

The rate of CN\$ is daily announced by Bank of Taiwan, probably in consultation with Nanking's Central Bank. At the opening of last week the rate was CN\$ 420 and at the close it stood at CN\$ 506 (per one Taiwan dollar). The Chinese public has in the Taiwan dollar rate another simple means—provided that these rates are made public in China—to follow the rate of monetary inflation.

### Ever Increasing Inflation

Reports about the three-shift operating printing presses of the Chinese Govt. and the steady delivery of hundreds of cases containing bank notes printed in foreign countries are no longer making the Chinese people tremble. By now they know what is in store.

The influx of CN\$ from North China into Shanghai is on the increase. Chinese estimates speak of one to two trillion per day. Every steamer from a North China port calling on Shanghai unloads at least one trillion in bank notes. The plethora in the Shanghai "unofficial" money market is further increasing.

Private and bank managers' cheques continue in circulation as kind of private subsidiary currencies. The latest and very practical development is the issue by several commercial and state banks of a form of Traveller Cheques; these are being sold to clients in a booklet containing ten cheques each of CN\$ 1 million. There is much demand for these cheque booklets and a premium for them is already paid so that the lucky holders of one of them valuing CN\$ 10 million may make a profit when selling them against Central Bank notes.

### Flight of Capital

Flight of capital from China cannot be stopped. Hongkong is one of the favourite but by no means the favourite place. The U.S. still remain, in spite of what the little students say, the paradise of the investor—and this goes not only for the Chinese.

Shanghai credits are offered here by brokers and merchants in ever mounting sums but takers are very careful these days of non-stop depreciation of Nanking's legal tender.

A novel form of capital flight was said to have been discovered here when Shanghai merchants succeeded to obtain loans from Chinese state banks operating in the Colony and then repaying these loans, reportedly almost HK\$ 7 million, in Shanghai with CN\$. The fama says that these lucky debtors of local Chinese Govt. banks were "highly connected."

### Commercial-Native Bank Compromise

The unofficial exchange business where so good profits can be made in a daily fluctuating market has challenged the business acumen of many a commercial bank's manager but with few exceptions the native banks continue to enjoy the gravy. The centre of unofficial exchange trading is around Bonham Strand and Mercer Street with the Gold & Silver Exchange on the northern frontier, and Hang Sang Bank at the "eastern gate".

To do exchange business at the unofficial rates, and especially to transact CN\$, one must be stationed in what is often called the "native financial market". But propriety and other more potent considerations preclude commercial banks from setting themselves up in that area although many native banks and gold shops are acting quite regularly on behalf of commercial banks situated in the proper business centre of Victoria.

However, last week the Bank of Canton has made a decisive step by opening a branch office in the native market district. This commercial bank, a member of the Exchange Banks Association, has now joined, although not expressly stated in so many words, the highly remunerative native banks' own field. The Bank of Canton will serve all its old and new customers in every respect of native banking and has also opened in its new branch 2,000 safe deposit boxes which should not fail to attract gold dealers.

### OVERSEAS CHINESE REMITTANCES

During May the Chinese residents in Singapore and Malaya have remitted to China the following amounts:—from the Colony of Singapore Straits \$ 834,718, and from the Malayan Federation Str. \$ 321,276, making a total of Str. \$1,155,994.

## HONGKONG STOCK & SHARE MARKET

As will be observed from the volume of business and the daily averages, the market continued dull and more or less, marking time, during the week June 14 to June 18. Buyers remained in control, so to speak, during the whole period with few exceptions.

Following the disappointment in the interim dividend of the Hongkong Electric the shares declined to 46½. At this price buyers predominated, and it recovered to 48½ but closed at 47¼ for a net loss of 2¼ points compared with the previous week. Most other shares gave way in sympathy.

However, there were three outstanding exceptions, namely, Star Ferry, Watsons and Green Island Cements. Ferrys rose 10 points to 140 on reports of a new issue of shares being under consideration. Watsons improved to a new high of 60¼, while the Cements recovered to 47¼ on rumours of completion (on the 18th) of the sale of land reported in our issue of May 26.

Applicants for shares in the North Point Wharves received Letters of Allotment on the 14th. The shares will be listed in the Exchange as soon as listing requirements are fulfilled. Holders of China Providents will be pleased to learn that the issue of 100,000 shares at par in exchange for 220,000 North Point Wharves was made under conditions. One of them precludes the recipient of the Provident shares from selling until a certain event occurs. The contingency which will satisfy this condition may not be reached for a few years. Therefore, holders need not have misgivings from this score.

Total sales reported amounted to 80,943 shares of an approximate value of \$2¼ millions, an increase of ¼ million compared with the previous week.

### PRICE INDEX

The Felix Ellis price index of twelve representative active local stocks showed a net loss of .21 compared to the close of the previous week. Day-by-day his averages were: June 14, 146.12; June 15, 146.34; June 16, 146.30; June 17, 146.10; June 18, 146.12. The High and low for 1947 were 155.82 and 123.88 respectively. The High for 1948 was 147.68 on February 12, while the low was 143.56 on April 16.

## HONGKONG UNOFFICIAL EXCHANGE RATES (IN HK\$)

			CN\$ (per ten million)																	
Gold per Tael			Spot		Forward		S'hai Canton		Notes		US\$		100)							
June	High	Low	High	Low	High	Low	T.T.	T.T.			Draft	T.T.	I.C.\$		Guilder	Baht	Note			
14	329¼	327¼	38¼	37¼	36¾	36	30	35	546	548	551	11½	47	25¾	13.5					
15	329¼	327	38½	37¾	36	35	30½	35	545	545	548	11¼	46½	25¾	13.7					
16	327½	324½	39½	38¼	35	34¾	31¼	35	545	545	547	11¼	46½	25¾	13.8					
17	328	326	38¼	36¾	34½	32	28½	32½	545	547	550	11¼	46	25¾	13.8					
18	326¼	322	35	32	29¾	27¾	23	26¾	543	543	547	11½	46¼	26	13.9					
19	325¾	322½	30¾	29¼	29	28	23¾	28	544	544	548	11¼	46¼	26	13.9					



# LAND AND HOUSES

## HONGKONG CONDITIONS OF HOUSING, BUILDING REHABILITATION & TOWN PLANNING

Report by the Hongkong Government

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### URBAN HOUSING IN VICTORIA AND KOWLOON

The majority of the Chinese population lives in the older Chinese tenement houses of Victoria City and of Kowloon. These houses, originally built back to back, have since been provided with small yards and kitchens behind. In most cases there are no scavenging lanes although legislation passed after the houses were originally built makes the provision of scavenging lanes obligatory.

The buildings vary in height from two to four storeys, the poorer section of the population being housed mainly in the upper floors. The ground floors

are used mainly as shops or work-places. Each floor is sub-divided into rooms or cubicles of 64 square feet and usually accommodates not less than three or four families. A communal kitchen is provided but in the old type of building no provision is made for latrine or ablution accommodation. For this reason, public latrines and bath houses have been erected in the poorer class districts.

Buildings of this type are very gradually disappearing, to be replaced by more modern structures. Virtually all such tenement houses are owned by Chinese landlords, though some of the larger industrial undertakings, both Chinese and European, provide satisfactory living accommodation for their employees.

A large proportion of the city of Victoria, particularly in the central districts, was built in the early days of the Colony when town planning was little practised, even in Europe, and the major defects of housing are due to the absence at that time of planning and of modern legislation.

The Public Health and Buildings Ordinance of 1903 was framed to conform with the standards of structure and hygiene which were then accepted. In the light of modern practice, many of these provisions and many of the buildings originally constructed in accordance with these provisions, are now out of date.

### Control of Buildings

Control of domestic buildings is now effected by the operation of a newer Buildings Ordinance introduced in 1935, which provides also for improved lighting and ventilation in buildings originally made to conform with the less advanced legislation. Yards and scavenging lanes are statutory requirements which have resulted in gradually improved standards and have rendered possible the provision of latrines and bathrooms.

The absence of statutory powers for compulsory demolition of buildings unless they are condemned as dangerous, is responsible for the disappointingly slow disappearance of the tenement houses built before 1903.

### Five Urban Areas and 43 Health Districts

The Urban District comprises the whole of the Island of Hong Kong, Kowloon and New Kowloon and is divided into five areas. A Health Officer in each area is responsible for health and sanitation and for supervising and directing the work of the health inspectors employed in his area.

Each area is divided into health districts in charge of each of which is a health inspector. Other health inspectors are employed in special duties connected with the control of hawkers, anti-epidemic measures, scavenging, etc. Altogether there are 43 health districts in the urban district of which 25 are on the Island and 18 in Kowloon and New Kowloon.

An important feature of the normal work of the health inspector is the inspection of tenement buildings and the cleansing of premises. Houses are dealt with in rotation and the residents are required by law to cleanse their premises under the direction of the health inspector and his staff. Tanks of approximately 200 gallons capacity containing a one per cent. solution of water and kerosene emulsion (soft soap and kerosene) are provided for cleansing purposes generally and for complete immersion of bed boards and the smaller articles of furniture. Altogether, it takes about three to four months to cleanse the whole of the urban district.

A successful battle has been waged against outbreak of insect-borne diseases by means of the application of D.D.T. kerosene solution on war-damaged buildings and settlements of squatters huts.

### RURAL HOUSING IN THE NEW TERRITORIES

The housing of the rural population is very different. Only the urban area is affected by large-scale influxes of population such as took place in 1939-1941 and during the year under review. The population of the New Territories is very stable, and the villages were for the most part built several generations ago.

The houses are huddled together, often surrounded by a wall and sometimes by a moat; many of the walled villages still retain their heavy gates and some adhere to the traditional routine of bolting the gates at sunset against bandits.

Village houses in the New Territories are known as "ancestral property" and are handed down from father to son and almost without exception occupied by the owner, who pays a small annual Crown rent to Government. They are usually built of locally made blue brick or cut granite with a tiled roof and cement floor though some of the poorer type are built of sundried mud-brick faced with plaster.

A typical village dwelling consists of one ground floor room, entrance being made through the front door—there is no back door—into a partially roofed-over space, one side of which is reserved for cooking, and the other side for storage of dried grass, the principal fuel. An inner door gives entrance to the single room, the rear portion of which is screened off with wooden partitions for use as a bedroom. Over this rear portion, raised some 8 feet above the floor level, is a wooden platform or gallery known as the "cock-loft" which is used for storage pur-

### COMPANY REPORTS

The report and accounts of the HONGKONG CANTON & MACAO STEAMBOAT CO. LTD. for 1947 showed a net profit of \$120,066 after allowing for special depreciation on the wharves in Hongkong and payments to pensioners. The working result is satisfactory in view of the fact that the Company has not as yet resumed operations of river steamers.

### BUSINESS DONE

BANKS: H.K. BANK @ 2165, 2150, 2160.

INSURANCES: UNIONS @ 786, 780; UNDERWRITERS @ 8, 7.90.

SHIPPING: U. WATERBOATS @ 37.

DOCKS & GODOWNS: WHARVES Old @ 156; H.K. DOCKS @ 33¼, 32¾, 33, 32¾, 32½; C. PROVIDENTS @ 23¾, 23½.

MINING: H.K. MINES @ .02½.

HOTELS & LANDS: H.K. HOTELS @ 18.10, 18, 17.85, 17¾, 17½, 17¾, 17½; H.K. LANDS @ 84, 83½; HUMPHREYS @ 23.

UTILITIES: H.K. TRAMS @ 23.80, 23.75, 23½, 23¼; STAR FERRIES @ 140, 139; CHINA LIGHTS Old @ 24¾, 24½, 24.60, 24½ and New 20 1/2; H.K. ELECTRICS @ 49½, 49, 46½, 47, 47½, 47½, 47¾, 48, 47¾, 47½; MACAO ELECTRICS @ 20½; SANDAKAN LIGHTS @ 14¾; TELEPHONES @ 44¼, 44, 43½.

INDUSTRIALS: CEMENTS @ .45¾, 46, 47, 47½; ROPES @ 18¾, 18½; DAIRY FARMS Old @ 53, 54, 54½, 54, New @ 51; WATSONS Old @ 59, 60, 59¾, 60, 60¼ and New 55¼, 56.

STORES: SINCERES @ 8; KWONG SANG HONG @ 196.

MISCELLANEOUS: CHINA ENTERTAINMENTS @ 45, 46, 47.

COTTONS: EWOS @ 20, 19½.



poses or for extra sleeping accommodation if the family is large. The house has no ceiling, except the rafters and tiles, and no chimney. Windows are few.

Dwellings are sometimes built in rows of a dozen or so in the larger villages, with the front of one row facing the back of another row; whilst at other times they are built haphazard to conform with "Fung Shui" ("wind and water"), a form of Chinese geomancy which traditionally governs the siting of dwellings and graves. The streets between the dwellings are usually not more than six to eight feet wide, and the drainage is primitive. Latrines are erected apart from the dwellings, and are similar, though inferior, to those still found attached to some rural cottages in the United Kingdom. The houses are for the most part kept in reasonable repair and the structural design is never altered. Furnishings consist usually of trestle beds, perhaps a table, and a few small stools.

### EUROPEAN-TYPE HOUSING

In normal times—and the year 1947 was still far from normal — the European resident lives in a suburban type villa, flat or small house not unlike many in the United Kingdom. Increasing numbers of permanent Chinese residents also favour the European type of house.

In Kowloon, suburbs of European-type houses developed extensively during the period 1930 to 1940, the houses built being not unlike those in an average London suburb, with the addition of servants' quarters and, in most cases, of the verandahs which the semi-tropical climate requires.

At the western end of the Island of Hong Kong the higher altitudes have been developed for European-type dwelling houses by a system of roads cut into the steep hillsides. The temperature at 1200-1400 feet is normally about 6° lower during the summer than the temperature at sea-level, but against this advantage must be set the higher humidity during the damp spring season.

### REBUILDING AND NEW CONSTRUCTIONS

Tenement-type housing for 160,000 persons and European-type housing for 7,000 persons suffered destruction or serious damage during the years 1941 to 1945. The damage to European houses was caused mainly by looting and the destruction of tenement houses was due chiefly to Allied aerial bombardment.

This large-scale destruction of housing, combined with the very large numbers of persons flowing into the Colony, produced a serious degree of overcrowding and the requirement for a large amount of new building as well as repair work.

Discouraging factors were the high cost of building materials and labour, but in spite of this, reconstruction, rehabilitation and repairs to properties damaged during the war continued throughout the year.

Nevertheless, there are still many buildings which have not been rebuilt or rehabilitated and many which although occupied, are in urgent need of repairs. As an illustration of this latter fact, 60 buildings were reported to have collapsed during the year, involving a loss of life to 28 persons and injuries to many more.

### Figures for 1947

During the year 1947, plans were submitted for work on 5,431 buildings. It is unfortunately not possible to say how many of these works were major and how many were minor works.

Completion permits, which are only issued in respect of new buildings were issued in respect of 170 Chinese-type houses, 38 European-type houses and 113 miscellaneous non-domestic buildings.

Much total rehabilitation, for which no completion permits were issued, has also taken place.

### TOWN PLANNING FOR THE FUTURE HONGKONG

The laborious and extensive process of reconstruction can hardly overtake the demand for some time to come; meanwhile, a good opportunity exists to remedy for the future the defects which are due to the lack of town planning and of modern standards of hygiene in the past.

On 1st April, 1947, a Town Planning Office was established and a civic survey comprising the preparation of land utilisation plans, detailed zoning plans and reports covering the whole of the Colony was put in hand. This work was an essential preliminary to the visit of Sir Patrick Abercrombie whose services were obtained by the Government under an allocation from the Colonial Development and Welfare Fund for the purpose of advising on the future development of the Colony. Sir Patrick visited the Colony for slightly over one month during the autumn; his report is in course of preparation.

The Town Planning section of the Public Works Department was aug-

mented by the arrival of two town planning architects from the United Kingdom late in the year. Several meetings took place during 1947 of the housing and town planning sub-committee of the Colonial Development and Welfare Committee.

### SHORTAGE OF EUROPEAN TYPE HOUSING

The shortage of European type accommodation remains very acute. Although many such properties which had suffered damage during hostilities or at the hands of looters were rehabilitated, the increased population caused by the relative stability of Hong Kong compared with commercial conditions elsewhere outstripped repair work.

Progress was made with plans for the erection of blocks of flats both by Government and by private enterprise, and in some cases construction work got under way. Shortages and delay in delivery of steel and other items slowed down construction programmes.

The rehabilitation of hotels made excellent progress and this has helped to meet what at one time appeared to be an almost desperate situation in regard to the provision of accommodation for many families. As in the previous year the hotel companies continued to work in cooperation with Government and provided austerity meals in order to reduce the cost of living for those compelled to accept this type of accommodation. Hotels, private hotels, boarding houses and hostels were completely booked up.

### Requisitioned Premises

Powers to requisition property are still extant, but as the policy of Government has been to derequisition premises wherever possible, and thus promote an early return to normal conditions, these powers were not exercised.

The number of premises held under requisition for use by the combined services and Government at the beginning of 1947 amounted to 389; at the end of the year this had been reduced to 131.

## REAL ESTATE MARKET REPORTS

Construction of Buildings of any type has continued with great speed during this year and rehabilitation and repairs of houses has made further progress. The land boom continues with prices paid for land put up for public auction and for land transacted between private interests on a steady increase.

The situation in the local real estate market was previously described in our issues dated August 20, November 26, 1947, and March 24, 1948. The following figures will give an idea of progress in building last year. Hongkong Government (Building Authority) received during the year some 3,000 plans regarding new buildings, rehabilitation and additions to old buildings, of which number about 2,700 plans were approved, viz:—

67 new European type houses  
251 new Chinese style houses  
152 new office and industrial buildings

470 new buildings  
727 rehabilitated and repaired residential buildings  
1,461 alterations and additions to office and industrial buildings

Total: 2,658

In addition to the above private building Hongkong Government has rehabilitated last year 300 buildings, viz: 100 buildings of residential type and 200 buildings for administrative offices (some of which also included quarters). Furthermore, Government



has partly or fully completed or planned the building of 148 new flats and has fully reconstructed 2 residential buildings and newly erected two office blocks for the use of Government departments.

The British Army, Air Force and Navy have also rehabilitated most of their extensive properties in the Colony.

### High Cost of Land and Labour

Land transactions and mortgages take place in Hongkong at the rate of 1,000 per month, but much of the sales both of land and of houses is of speculative nature with some lots changing hands more than one time during one month.

Land prices for factory sites are still on the increase and so are prices for choice residential areas. The question of Government entering into private contract with industrial promoters concerning land in Kowloon and the New Territories becomes ever more pressing. The revision of the existing Crown Land Ordinance (Vide our issue of May 26, page 549) is being eagerly looked forward to as the community desires the partial abandonment of the provision stipulating that Crown land can only be sold by public auction.

In spite of high land costs, apparently irreducible labour wages and only slightly receding cost of imported building construction materials, new work is in progress all over the Colony. New construction is being stepped up and several favourite residential areas resemble in appearance American and Australian boom towns of the 19th century.

Compared with prewar average costs, today's erection of a residential building consumes about 500 to 700% more cash. On the whole, construction costs are up against prewar by 600% (more details about the price increases will be found in our March 24 issue, page 286) mainly on account of high labour wages; land prices are higher by 600 to 700% with residential choice land and Kowloon industrial sites considerably higher than the average.

The current trend of prices for land and labour cost is still upwards while construction materials, owing to the control over these materials, tend to sell at lower prices.

New buildings comprise, beside Government and Services structures for administrative use and for quarters, all types of residential houses (apartment houses, bungalows, family residences, hotels, boarding houses), factories and office buildings.

Government will shortly supply the exact figures for the new buildings and rehabilitation work approved so far by the Building Authority. The figures are considerably in excess of the 1947 average.

### Recent Land & House Transactions

Land sold recently in the Homuntin section of Kowloon went for \$7½ per square foot, sites on Chatham Road, facing the Kowloon Bay, were traded at \$17½ per s.f. Causeway Bay land, an area on the Island which is rising in public favour, sold at \$45 per s.f. In

Happy Valley, land is appreciating largely on account of many immigrant Shanghai families who prefer this area, many wealthy Shanghai natives having already settled in Happy Valley. Vacant land recently sold at around \$24—25 per s.f.

As Causeway Bay area had already developed into a better class residential area, mainly for Chinese, and new amenities are being built there, including a new large hotel and an apartment house, the area with its many football and other playing grounds will become more popular.

The largest house transactions during recent months included the Kamling Restaurant (West Point) sold at \$950,000, and a big residential building on Repulse Bay Road at \$800,000.

### Immigration by Chinese

The worsening of general conditions in China has already brought to the Colony a large number of well-to-do Chinese who have either built new houses or have taken up much residential space in new or thoroughly rehabilitated apartment houses. The steady arrival of new immigrants has also encouraged the building of many small hotels and boarding houses which enjoy a boom by charging exorbitant rents.

The continued demand for new residences and flats coming from Chinese in Shanghai and other North China cities will bolster high prices for land. Land speculation has long ago taken cognisance of this trend and is at present relying on the degree of the deterioration of conditions in China as its guidance for the future trend of local land prices.

Local residents do not favour the large-scale immigration of Chinese from the north as their presence in the Colony tends to increase further all rentals in new or thoroughly repaired buildings. The high cost of living in Hongkong is influenced to a large measure by the immigrants or refugees from the north.

Short of immigration control nothing can be done to bring down local prices as far as housing is concerned. On the contrary, in spite of the well-intentioned move by Government to control hotel and boarding house charges, the rentals and construction contributions (a sort of legalised key money) currently demanded are higher than six months ago.

### Government Building Permits

Although general conditions for new building are much improved compared to a year ago, particularly with regard to adequate labour and an easier supply position of most building materials, much delay is experienced when waiting for the Government authorisation of submitted schemes. Similarly the renewal of leases takes an unduly long time; prospective builders cannot go ahead with their plans when Government offices have not renewed leases which are to expire soon.

The trouble remains with practically all Government offices that they are badly understaffed—at least as far as experienced and competent officials are

concerned. Every observer admits that, by & large, at no time before did Government workers do more than during these postwar years of rehabilitation, nevertheless, building progress is, no doubt, hampered by the continuous delays.

Another frequently heard complaint with regard to Government's assistance to prospective builders is the very slow moving construction of new roads in such areas where large parts could be easily developed into first-class residential lots. Plenty of good sites are available all over the Island and in Kowloon but the pre-requisite for development is roads, and Government, fully appreciating this urgency, has a schedule which is far behind the requirements of the building community.

In certain cases Government is unwilling to construct new roads as the water catchment area could be interfered but prospective builders have always new proposals to make which obviate this consideration.

Many householders are anxious to start building provided that they could obtain an answer from Government as to the availability of a selected site. It takes often 6 months to learn the official decision.

### Key Money

The extreme shortage in office space has further boosted illegal key money demands by owners or agents of premises in the business district of Victoria. A two-room office in Pedder Building was sold a short time ago for \$25,000, another office, in China Building, changed hands at \$40,000. Buildings in the centre of Victoria where office key money is not infrequently asked are, besides the two aforementioned ones, the Bank of East Asia building and the National Bank Building.

In the old office buildings the rental per square foot is around 14 cents, in the new three stories of Marina House (owned by H.K. Land Investment & Agency Co. Ltd.) the rent is 50 cents, but in other new buildings in the centre of Hongkong rents from \$1.50 to 4 per square foot are charged and, in many cases, a special amount as contribution towards construction costs is demanded.

This situation cannot be expected to change for the better until several of the new office buildings will be ready to accommodate the hundreds and hundreds of business firms which are anxiously waiting for the day when they can call an office their own. As it is today many respectable and well-known commercial firms are taking up desk spaces in other firms' offices where extravagant prices are paid (e.g. \$200 to 400 per month for a desk space in an office in a side street).

The pressure on office space is still growing in spite of the slight recession in business here and the return to more normal commercial and financial conditions in the Far East. The necessity to build more and ample office buildings in the centre of Hongkong cannot be overemphasised.

Residential premises are also very short in supply but the emergency is



not as great as in the case of office premises. Newly built or extensively rehabilitated houses are fully booked up with tenants before they are ready for the new occupants. In almost every case construction money is demanded and paid; every flat in a new or fully repaired old house sells at a certain price which is understood to be a contribution towards building costs.

Although many unsuccessful tenants call this exaction "key money" its payment is not illegal and therefore commonly observed. Key money is, however, quite generally demanded in old and rent-protected houses from the most humble Chinese cubicle and even coolie quarters (bed spaces) to fashionable flats.

On the other hand, tenants and sub-tenants in houses which are changing hands and where the new owner desires to secure the house in vacant possession, the various tenants request and obtain large amounts of money, a sort of key money in reverse, which is usually the same or higher than the "rate" of key money prevailing at the moment in similar residential areas.

All complaints by prospective tenants who are unwilling or unable to pay key money are in vain. Some isolated cases have been brought to the public knowledge by actions taken against key money racketeers in the local Courts; fines were heavy in a number of instances but the end effect was nil.

Housing is a service the price of which like with commodities is regulated by demand and supply, and as at present the supply is woefully inadequate and no relief is yet in sight the demands for key money cannot be suppressed.

Government rent control is exercised only concerning old buildings and it is here where the key money practice could be defied. But new and fully rehabilitated constructions, for domestic, office or industrial use, are free of control and any amount of rent can be charged and construction contributions demanded.

\* \* \* \*

## LEASE OF CROWN LAND IN HONGKONG

All land in the Colony of Hongkong is held under lease from the Crown with the exception of certain Royal naval and military lands and the site of St. John's Cathedral (Anglican Church).

The leasehold law of the Colony stipulates that every lease is granted under a covenant to erect and maintain on the leased land a building of specified use (domestic, industrial) of not less than a stipulated value (the rateable value); the lessee has to pay a cash sum on entry (being an amount set by Public Works Department per square foot and put up for public auction) and a fixed annual ground rent for the period of the lease which is 75 years. At the end of the lease the land and the buildings upon it revert to the

Crown. Leases are renewable for another period of 75 years provided that the lessee has fulfilled the conditions of the covenant.

From the establishment of the British Colony on Hongkong leases were at first granted for 75 years but as from 1849 leases for 999 years were authorised which was practically the same as free hold tenure of land.

As from 1898 the 999 year lease was abandoned as it was rightly considered that a period of ten centuries constituted too great a surrender of the right of the Crown to benefit from enhanced values of land.

The new leases granted as from 1898 were all for 75 years with the right of renewal for another 75 years at a revised Crown rent but without payment of a premium at the end of the expiry of the first 75 year term.

### Non-Renewal Leases

From about 1860 to 1910 a total of 1,344 leases were granted for 75 years only, without the right to renewal after expiry. These leases were then made in respect to land in the hills, now the fashionable Peak district, for a total of 76, and for land on the island of Hongkong as well as Kowloon which at that time was an undeveloped village; the number of leases on the island and in Kowloon were respectively 107 and 1,161.

Government has, however, not insisted on its legal rights which include delivery up of the premises erected on such Crown land leased only for a term of 75 years. The renewal of such leases has been made dependent upon the adequate development of the leased area in accordance with the needs of the community.

In most cases lessees have obtained either the renewal or are assured of a renewal provided that the development and disposition of the leased land and the condition of the buildings on such land has been found satisfactory by Government from the point of view of the promotion of the public weal.

The renewals of 75 year leases have been made on the following terms: the lessee surrendered his interest in the existing term and obtains a new Crown lease for 75 years plus the years of his old lease which have not yet expired. Crown rent is being charged for the unexpired portion of the original 75 year term at the old rate while a reassessed Crown rent is to be paid from the time the new lease of 75 years is to start. The leaseholder has to pay a renewal premium either in a lump sum or by instalments.

Old leaseholders whose land has not been sufficiently developed are unlikely to obtain a renewal.

\* \* \* \*

## CONTROL OF HOTEL & BOARDING HOUSE ROOM RENTS

All hotels, boarding houses, lodging houses and institutions wherein accommodation is provided for valuable consideration, have been required to

submit to the Competent Authority in charge of Price Control of Hotel Services (Mr. P.F.J. Eardly), plans of each floor of their premises with complete details of Room numbers, the number of beds in each room, the rates per room and/or per occupant to be clearly shown thereon.

With this information, a survey of the whole of the Colony's hotel accommodation is now being made and prices now charged will be examined in relation to the prewar charges by such establishments, and the effect on the cost of living index.

Fair and reasonable rates will then be fixed for all types of establishments offering accommodation to the public in accordance with the standards and amenities of such establishments which will prove satisfactory to the public at large and provide a fair profit to the proprietors.

Lists of fixed specific rates will be worked out and published from time to time on the lines of the existing system of Retail Price Control as applied to commodities. This will enable the general public to become familiar with charges they should legally pay. Inspectors will ensure that such regulations are observed. Any extras charged will have been previously approved by the Competent Authority, and shall be prominently displayed long with the fixed standard charges for accommodation.

Prosecutions for non-compliances with and breaches of the Control Prices will be along similar lines to those now operating in the case of overcharging on retail sales of commodities. The public has been invited to co-operate with a view to ensuring strict compliance with the Regulations, and to submit complaints to the Competent Authority.

Complaints have been numerous in the past regarding the non-enforcement of the Price Control (Hotel Service) Regulations, 1946. The staff at the disposal of the Competent Authority was, however, inadequate to cope with the task of controlling fully hotel room charges. It is now hoped that the whole hearted co-operation of the general public will be forthcoming in order to assist in rigid enforcement of the Regulations to be observed as from now on

\* \* \* \*

## Shanghai Building Construction Costs

The following are average costs of building construction in prewar (1937) Shanghai expressed in Chinese dollars (1 Chinese dollar equalled then 1 1/24d. or US\$0.294).

(1) Prices per unit in Chinese dollars:—		
2-storey class	Chinese houses, 1st	\$1,900
2-storey class	Chinese houses, 2nd	1,650
2-storey	Chinese shops	1,450
1-storey	Chinese shops, or hongs	1,250
3-storey	Chinese terrace houses	4,400



# INDUSTRIAL REPORTS

## THE EMBROIDERY AND DRAWN WORK OF HONGKONG AND SWATOW

Prior to the outbreak of the war a sizeable embroidery industry had been developed in the Colony which employed some 500 workers (all female) who produced mostly handkerchiefs and tablecloths similar to the qualities turned out in Swatow, China's leading centre for embroidery. It took many months after the return of peace to re-establish this industry in Hongkong but with encouragement and finance of European embroidery merchants the local production resumed and soon some 700 workers found employment.

The enterprising spirit of European merchants further enlarged the relatively small basis of prewar embroidery making including (at present only in the preparatory stage) the manufacture of lace and infant wear thus entering into active competition with two other centres in the Far East viz. Manila for infant wear and Chefoo for lace. As Chefoo is under the control of the Communist authorities the well-known lace from this area only irregularly reaches Shanghai from where it is either directly exported mostly to the U.S. or transported to Kwangtung for eventual recorded or unrecorded export to Hong Kong.

Hongkong has established itself after the war, as in so many other lines of merchandise business, as one of the principal Far Eastern markets for embroidery, napery and drawn work. The oppressive Chinese trade and exchange controls have necessitated much smuggling of embroidery to Hongkong from where re-export mostly to the U.S. proved a simple business proposition.

### Development of Embroidery Trade in Hongkong

Many European and Chinese merchants with initiative have made

plans to expand the local manufacture of embroidery and to enter into more active competition with Swatow in particular. Although at the moment labour costs here are about 80% above those paid in Swatow and its hinterland, the ability of producing embroidery and napery in Hongkong at the same prices as is currently being done in Swatow has already been proved.

While cost of manual work in the rural lands of Swatow (the Chiuchow district) will always remain much lower than piece work pay in Hong Kong, — a consequence of the high standard of living in the British Colony compared to Swatow or, for that matter, any part of China — the stifling exchange controls by the Nanking Government (requiring the full surrender of all export bills at an arbitrary rate of exchange) and the high import duties even for such raw materials which are only used for the manufacture of exportable goods, are powerfully militating against the prosperous operation of Swatow's embroidery business.

In Hongkong all pre-requisites for a large development of handicraft industries especially embroidery, drawn work and lace are amply given: apart from being a free port, the Colony is blessed with an Administration which has the promotion of business very much at heart, and a minimum of controls has been enforced here with a distinct tendency to reduce existing controls, furthermore, the local residents enjoy a measure of security and economic stability unrivalled in the whole Far East.

Workers from Swatow and Chefoo and also from Shanghai, where a large embroidery and lace industry has developed since the middle of the last decade, will be only too eager to flock to Hongkong if workshops are being set up and the embroidery industry, which is essentially a home industry, can be properly set going.

The chief raw materials come from the sterling area, viz. linen and sheer linen from Ireland (the seat of the linen trade being in Belfast) and selected cotton piece goods from England. In addition small quantities, by comparison with the enormous volume of Irish linen imports, are ordered from Switzerland (cotton and linen materials) and some Chinese grass linen (from Szechuan and Kwangtung) and occasionally silk (mostly from Kiangsu and Chekiang) are used in the manufacture of embroidery goods.

Exports of the embroidery and drawn work are largely sent to the U.S. and also to Australia, Union of South Africa, Canada and India. Europe is not interested in Chinese made embroideries as there are far higher qualities produced especially in Italy (Venice being synonymous with fine embroidery), France, Switzerland,

Austria, Belgium etc. The artistic accomplishment of European drawn work, embroidery and napery have no equal anywhere but prices are very high and it is therefore that the American market, for mass consumption requirements only, has been supplied with Swatow embroideries, Chefoo lace, Manila infant wear etc.

The cheap labour in the Far East was the prime consideration for the promoters of embroidery in the U.S. Chinese families have little use for embroidered table cloth although during recent years the fashion of embroidered ladies' handkerchiefs has been more appreciated among Westernised Chinese.

### Costs in Swatow and Hongkong

In spite of the difference in labour costs between the Colony and Swatow, which are on the average 70 to 90% lower in Swatow, the production of the finished goods in Swatow is almost as dear as in Hongkong. The reasons for the expensiveness of Swatow embroidery are the following:—

(1) all raw material imports are subject to import duties which in the case of linen amounts to 7½% and in case of cotton piece goods to 40% (only recently these duties were reduced to 5% and 25% respectively).

(2) Freight rates between Hongkong and Swatow increase the overall cost by about 7 to 8% for cheap quality and by about 4% for high grade embroidery (shipping of linen to Swatow and the finished goods back to Hongkong).

(3) Upon exportation of embroidery from China the shippers have to surrender to Central Bank of China (actually to officially appointed banks) the full value of the labour costs which went into the manufacture of embroidery and drawn work; but this provision is always circumvented by considerable underdeclaring of the labour costs as otherwise no exports were possible in view of the artificially low official exchange rate which moves usually between 25% to 60% under the black market rate.

The current production costs in Swatow are almost prohibitive which fact has led to the suspension of all American orders and the diversion of some new business to Hongkong.

The principal market for embroideries is New York where prices now are some 3 times over prewar as regards handkerchiefs, and from 4 to 5 times the prewar level as regards tablecloth. Currently a dozen handkerchiefs of the common quality (hackneyed design, cheap sheer linen) costs US\$ 3.25 to 3.50 but superior qualities, determined by artistic design and superior workmanship, sell between US\$ 70 to 100.

The market price, for dealers, in Hongkong for handkerchiefs (common quality) is HK\$ 8.80 to 9 per doz; tablecloth, including one doz. napkins, sell between \$ 20 to \$ 80 (common to superior quality and design).

### (2) Prices per cubic foot in Chinese dollars:—

Workshops and factories	
— fire-proof construction .....	\$0.25 to \$0.30
Godowns — fire-proof construction .....	\$0.23 to \$0.32
Godowns — brick walls — floors and roofs ..	\$0.19 to \$0.25
Offices — steel frame construction .....	\$0.80 to \$1.15
Offices — reinforced concrete frame .....	\$0.45 to \$0.65
Hotels—first class construction and finish ..	\$1.00 to \$1.65
Banks .....	\$1.50 to 2.00
Apartment houses — first class .....	\$0.90 to \$1.30
Apartment houses — second class .....	\$0.55 to \$0.80
Residences, large .....	\$0.55 to \$0.80
Residences, small .....	\$0.30 to \$0.45
Terrace houses .....	\$0.28 to \$0.40



Considering the U.S. import duties on embroidery of 70% for linen table cloth, or 40% for linen handkerchiefs (cotton materials are subject to higher duties) the local embroidery export business is not reaping high profits.

Irish linen costs now about 100% more than before the war while Chinese materials are more than 300% the prewar cost. On the whole, the finished goods sell at 200% over the prewar prices.

The decisive factor for the local and China embroidery business remains the New York market; while the vogue to buy embroidered goods remains firmly entrenched in the U.S. there is a tendency to bring prices for these goods down. By abstaining from stockpiling such luxury articles as embroidered table cloths, ladies' handkerchiefs and underwear, and striking close bargains when placing orders, the chief interests in the U.S., the big department stores and fashionable retail shops, have already succeeded to level Hongkong exporters' quotations down.

In case of the early realisation of a more ambitious embroidery industry in Hongkong more attention could be directed to sales in sterling area countries. Production of embroidery in Hongkong, made on Empire linen, would be promoted by virtue of the operation of Empire Preferences. The training of female workers should not take more than 2 to 4 months and the immigration of skilled needle workers from South and North China might be faster than necessary in the beginning.

#### Introduction of Embroidery Work in China

It was in the seventies of last century when French nuns introduced embroidery work in China; hundreds of girls in Missionary schools were taught lace and cross stitch work in Swatow, Wenchow (from where the finest cross stitch work comes) and in many North China cities. Based on the tradition of old Chinese needlework the introduced European art and technique led soon to the widespread practice by Chinese women, under guidance of foreign Missionaries, to turn out embroidery of steadily improving workmanship.

In the early years of the development of this new trade in China the foreign missionaries sent home such embroideries as souvenirs and as tokens of their gratitude for donations received. Some hawkers and small merchants peddled in many ports the new embroideries whenever foreign ships arrived. Eventually, foreign merchants became interested in Chinese made embroideries and seeing that their price was very cheap compared to the needlework of Europe they started to develop a very prosperous business by making the American market "embroidery conscious".

The pioneers of this trade became multi-millionaires in US\$. But the Chinese people profited greatly from the embroidery industry which, introduced by the French, is based on the import of foreign raw materials, cheap Chinese labour of women, and

high pressure salesmanship particularly in the American market. In the best years before the war some 5 to 6 million workers were finding employment in China's embroidery and lace industry.

#### Manufacture in Swatow

Upon arrival of linen or cotton materials in Swatow the contractor or foreman distributes them, through agents, to the homeworkers, being at present estimated at 500,000, all of them women doing part time piece work. Designs are supplied by the merchant firms in Hongkong (often imported from abroad at considerable cost).

The following work is being done in the Swatow area:—cross stitch, drawn, solid embroidery, Appenzell, punch, lace in section, cut, Venetian, spoke, net work. In one embroidered piece, e.g. a table cloth, several types of work are usually employed (e.g. drawn, cross stitch, punch, solid embroidery).

In various villages and rural districts specialties have been developed by the needlewomen, for instance, net work, lace in Chao-yang; drawn work, cross stitch in Kit-yang; solid embroidery in Chao-on; embroidered handkerchiefs in Chow-chi-foo

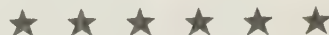
The general products in the Swatow area are:—handkerchiefs, table cloth and napkins, bed spreads, pillow and blanket covers, pyjamas, ladies morning coats, underwear, handbags, curtains.

#### Promotion in Hongkong

There are at present some 30 exporting houses in Hongkong which import the raw materials (linen, cotton), supply the designs, provide the workers with capital until the time of delivery of the embroidered goods which then are shipped to foreign markets. Usually the local exporters have to provide finance for about 5 months as it takes that long to produce the finished goods.

In addition to the exporters there are some 30 retailers and stores of more than local importance in the embroidery trade.

The oldest firm in South China is the Swatow Lace Co. There are a number of Shanghai firms in the local market which have only established themselves after the war. The leading exporter is the American firm of Cathay Mercantile Ltd. handling the majority of the business for the U.S.



## THE TAIKOO DOCKYARD & ENGINEERING COMPANY OF HONGKONG, LTD.

Despite very serious and widespread damage to buildings and machinery, the Taikoo Dockyard and Engineering Company is again working to almost full capacity.

Last year, 1947, 290 ships were repaired at the Dockyard, a total gross tonnage of 844,000, and the tonnage of shipping docked during that year was 560,000 gross tons. In addition to ships repaired at the Dockyard, a large number of ships were repaired in Harbour.

#### Service during the first quarter of 1948

During the first three months of this year 47 ships, totalling 192,375 gross tons were docked and slipped, and 125 ships were repaired in Harbour.

The average daily number of men employed by the Dockyard is approximately 5,000.

#### Modernised and Well-equipped Docks

The Dockyard is well equipped to carry out all types of ship and engine repairs and during the past two years has carried out a number of major reconversion jobs on ships being altered from war to peace time requirements.

The Drydock has a length of 787', width at entrance of 93.4', and a depth on sill at high water, Ordinary Spring Tide, of 34'6". There are three slipways capable of taking ships up to 430' in length, and of 4,000 tons displacement.

The Quay Wall has a berthage length of 3,200', and has a depth of water of 39' at high water, Ordinary Spring Tide. Ships of any size can be berthed alongside at any state of the tide.

The Dock and Quay Wall are served by high gantry electric travelling cranes, with a lifting capacity of 30 tons, and a 150-ton electric crane is in process of being erected. Workshops are equipped with overhead cranes up to 100-ton capacity.

So far, apart from small craft, it has been impossible to undertake ship and engine building on account of the difficulty of obtaining steel.

Licences are held for the building of Taikoo Sulzer and Taikoo Doxford Diesel Engines and for the building of Brown Curtis and Parsons Turbines.

#### Record of High Prewar and Postwar Performance

Before the war the largest ship constructed at Taikoo was a cargo liner of 9,000 gross tons, which was launched on 2nd February, 1939.

When hostilities broke out here on 8th December 1941, the Dockyard had a large building programme on hand. Nine ships were under construction, and orders had been received for other ships which were waiting to be laid down. The nine ships under construction included 3 Standard Cargo ships, 2 Minesweepers, 2 Salvage Tugs and 2 Patrol vessels.



Some of these ships were completed and launched by the Japanese, others were broken up on their building berths.

Taikoo Dockyard has been approached by shipping companies to build new tonnage but, unfortunately, these orders have so far been declined on account of the present steel shortage.

During re-construction of the Dockyard an opportunity is being taken thoroughly to modernise equipment and increase the productive capacity of the Dockyard. Many new machines have been installed, others will be delivered during the next twelve months.

Although material is not available for ship-building, the Dockyard has ample stock of materials for ship repairing, and is in a position to undertake all minor and major repair work. Iron and non-ferrous castings are produced up to a maximum weight of 25 tons, and the forge is capable of producing forgings up to 15 tons weight.

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### Hongkong Enamel Ware Industry

Prior to the outbreak of the war there was only one enamel ware factory operating in Hongkong which was originally owned by Cantonese but later purchased by a Shanghai manufacturer. The industry has expanded after the war with the removal of several factories from north to the Colony. At present there are operating two factories while three more are preparing for an early start.

The prewar factory remains still in the lead but its importance is no longer the same as in the years before the war when this factory with its many branch or sister factories in China (Shanghai, Canton, Hankow, Chungking, Tientsin) was in a position to exercise a good measure of control in the enamel ware business.

In addition to the postwar factories which already have established themselves here, a number of other manufacturers from Shanghai are making plans to set up their plants in the Colony provided that the prospects for exports especially to Far Eastern countries should prove, after investigation, attractive.

The removal of the enamel ware factories is a direct consequence of the constantly deteriorating situation in China where civic insecurity — apart from the interminable currency inflation and the depredations of the Kuomintang-Communists' war — no longer permits of regular production.

As a result, there are today five enamel ware factories established in the Colony. Three of them are still under construction but will be ready for operation in the next 3 months. The other two operating factories employ about 700 workers and turn out approximately \$1,000,000 worth of enamel ware monthly.

#### Production Figures

The old factory whose pre-war capacity was 500 cases monthly has now

surpassed this mark by five times and is manufacturing about 2,500 cases every month. This was made possible through successful efforts at modernisation of the machinery. The number of furnaces was increased to 12. Occupying a site of about 100,000 sq. ft. on Castle Peak Road, this factory finding difficulties for expansion on the present site has already purchased another piece of land, measuring 10,000 sq. ft., on Cheungshawan Road, for building a branch workshop which, when completed, will be able to produce another 800 cases every month.

A new factory which moved down from Shanghai last March is at present operating two furnaces and producing about 500 cases of enamel ware per month.

These two factories have faced keen competition on the local market as well as abroad. Both are, however, advancing production methods in an attempt to face stiffer Japanese competition. The price of local products is at present about the same as the Japanese price. Japan is not producing this year enough to cause a serious threat to local producers. Should Japanese enamel ware be exported to Hongkong and other places in larger quantities and sold at lower prices Hongkong manufacturers are prepared to reduce their rates and profits. Local enamel ware manufacturers are at present making good profits which will last until Japanese competition will come into the market.

Compared with pre-war days, the present price of locally manufactured enamel ware is about three times higher, though the producers have to pay five times more for raw materials and seven times more for labour.

#### Marketing and Prices

Hongkong enamel ware factories import black sheets (one of the major raw materials) from the United States and chemicals (enamel powder) mainly from China and some from the United Kingdom. Until last March, Government has been very helpful by allocating all required foreign exchange (estimated at US\$30,000 monthly) for the factories to purchase black sheet. Government also supplies about 300 tons of coal at controlled price every month for feeding the furnaces. Government is today not in a position to grant all the required exchange.

The ratio of local production is 5 percent for local consumption and 95 percent for export mainly to S. Africa, India, Middle East countries, Malaya, Siam, the Philippines, Burma and the Netherlands East Indies.

Locally produced enamel ware include spittoons, lunch carriers, basins, round trays, rice plates, soup plates and mugs with or without covers.

The smallest size (14 c/m in diameter) basins are sold at \$4.50 per dozen and the largest size (26 c/m) at \$12 per dozen. Prices for lunch carriers are \$32 per dozen (smallest 12 c/m) and \$54 (largest 14 c/m); for spittoons prices are between \$52 and \$57 per dozen; for rice plates \$1.40 (8 c/m) and \$13 (26 c/m) per dozen.

### PROBLEMS OF HONG KONG COTTON YARN & PIECEGOODS INDUSTRY

Unlike a year ago when the Colony's estimated 750 textile factories had to live on a "hand to mouth" yarn supply there are today ample stocks held both by Government (Dept. of S.T. & I.) and private importers and weaving and knitting mills. This situation was brought about by the slackening in business of textile mills and a flow of adequate supply procured by Government and private importers as well as by the operation of three of the many projected cotton spinning mills here.

When another three of the planned spinning mills are to commence operation sometime this autumn, it is expected that Government will lift the control of cotton yarn selling price and suspend further official purchases of yarn from Japan, China and Italy in order to make room for local cotton mills to supply the Colony's yarn requirements.

#### Price Reduction

Three weeks ago, Government further reduced the controlled price to \$1,375 per bale for Japanese cotton yarn and \$1,300 for both Chinese and Italian yarn (all of 20's).

This was the fourth reduction effected by Government since it started the control of yarn at the beginning of 1947, when 20's yarn was pegged at \$1,600. The other two previous reductions in the official price were made on June 1, 1947, at \$1,500 per bale, and on October 1, 1947, at \$1,400. The latest slicing in the price was made by the Dept. of S. T. & I. on June 1.

Despite the latest move by Government to sell 20's yarn to factories at \$1,375 or \$1,300 per bale which are only slightly higher than c.i.f. prices paid by Government for yarn from Japan, China and Italy, the local millowners are still complaining of high prices and petitioning Government to reduce the present price in order to enable them to bring down the existing wholesale prices of finished piecegoods. Competing with Japanese and Chinese products can only be effectively attempted if market prices of local piece goods can be reduced.

These millowners are, however, unaware of the situation as prevailing now when Government has to pay relatively high prices for cotton yarn from Japan, China and Italy; they also do not realise their own responsibility to improve the quality of piecegoods and reduce production costs or to narrow their profit margins. It seems that the only solution for the Hongkong textile industrial problem of how to meet the Japanese and Chinese competition is to reduce costs and cut down on profits.

#### Big Competition by smuggled Chinese Textiles

Cotton piecegoods produced in Shanghai or Canton are smuggled into the Colony where they are sold on the average at 50 percent lower than the



local products. Chinese piecegoods are selling about 40 percent and 60 percent below those imported into the Colony from Japan and the United Kingdom respectively.

Japanese piecegoods are sold here only about 10 percent below the price of local products and they offer much less real competition to Hongkong textiles than Chinese products which are regularly smuggled here from Shanghai or Canton.

According to advices received by local textile exporters, the markets in Malaya, Siam and other Far Eastern countries are well stocked mainly with Chinese piecegoods and partly also with Japan products. Present wholesale prices are about 25 percent below those of three months ago.

Therefore, it is imperative for local textile mills to reduce their production costs if they wish to have more success in the so-called South Seas markets.

### Imports and local Production of Yarn

During the past month, Government succeeded in importing 8,000 bales of cotton yarn, mainly of 20's from Japan, China, Italy and the United Kingdom. In addition, three local cotton spinning mills which have been in operation for sometime have produced together about 1,000 bales, also of 20's.

Government yarn imports in the month of May were 5,000 bales from Japan, 2,651 bales at \$3,626.102 from Shanghai, 325 bales at \$438,750 from Italy and 2,511 pounds (about 6 bales) at \$9,796 from the United Kingdom.

### Problems of Price Reductions

The ample supply of cotton yarn from abroad and by local spinning mills have brought down open market prices to below the controlled price. The majority of registered textile factories asked Government to delay the allocation of cotton yarn at the official price which resulted in the stockpiling of Government-imported yarn.

While weavers and knitters want Government to reduce again the con-

## HONGKONG RAILWAY RETURNS FOR THE FIRST FOUR MONTHS OF 1948

The British Section of the Kowloon-Canton Railway carried during the period January to April 1948 a total of 27,907 tons of freight and 1.2 million passengers. Figures for the first four months of this year are as follows:—

#### FREIGHT (in kilogrammes)

In local traffic: total 987,280;

Up traffic 379,110, down traffic 608,170.

In foreign traffic (to Canton): total 26,920,170;

Up 15,217,170; down 11,703,000.

#### PASSENGERS

In local traffic: total 386,147;

Up 198,562; down 187,585.

In foreign traffic: total 858,468; Up 457,498; down 400,970.

#### Traffic in April

Traffic figures in April were as follows:—

#### FREIGHT (in kgs):

In local traffic: up 144,760; down 159,080.

In foreign traffic: up 3,759,750; down 1,975,000.

#### PASSENGERS

In local traffic: up 49,182; down 45,670.

In foreign traffic: up 130,684; down 132,370.

## ELECTRIC POWER SUPPLY IN KOWLOON & THE NEW TERRITORIES

The China Light & Power Co. Ltd. a public company whose shares are the medium of active trading at the local Exchange, generates and distributes all electric current for use in Kowloon and the New Territories. As industrial establishments are steadily expanding in Kowloon, which has become the principal area for Hongkong's industries, the importance of a well-managed electric power company on the mainland cannot be over-emphasised.

The China Light & Power Co. has had a good record of rehabilitation and achievement in the postwar years but complaints by consumers, especially households, regarding very high charges for current supplied by the firm, and by prospective industrialists concerning the indefinite attitude of the firm as to the amount of power available, have been frequently heard.

It would appear to be in the public interest if the China Light & Power Co. would communicate to the public, by means of the press, all necessary information about its power generation, sales of units for domestic and industrial use, the present peak load carried and, furthermore, following the most commendable example by Shanghai Power Co., also suggest how and when economy in power consumption could be exercised by the general public in order to cooperate with the growing needs of factories in Kowloon and the New Territories.

So far, however, the policy of the Company was not to divulge the required statistics except once a year, (and then only rather fragmentary)

trolled price, the local cotton spinning mills are anxious to see that the current price of cotton yarn will remain unchanged so that they can operate profitably.

Some cotton mill owners even suggested that their products could be sold at higher than the controlled price on the pretext that their products are of better quality than Italian yarn.

## COMPARATIVE HONGKONG SHIPPING RETURNS FOR THE FIRST QUARTER OF 1948

Following are the figures for Shipping (Ocean and River over 60 tons net) entering and clearing the port of Hong Kong during the period January to March 1948, compared with the 1947 monthly average, as compiled by Hong Kong Government.

FLAG	Monthly Average 1947		January 1948		February 1948		March 1948	
	Entered	Cleared	Entered	Cleared	Entered	Cleared	Entered	Cleared
	No.	Tons	No.	Tons	No.	Tons	No.	Tons
British	210.7	312231	210.2	313809	271	322356	274	318990
American	26.2	143118	26	142989	32	170799	32	170800
Chinese	103.2	56465	103	57201	134	62858	135	62968
Danish	4.8	19908	4.9	20160	5	18156	5	18156
Dutch	10.5	52079	10.5	52607	11	52327	9	41873
French	1.4	6725	1.7	6791	—	—	7	8871
Norwegian	16.8	34565	16.5	34849	22	42326	21	39149
Panamanian	7.5	17454	6.8	15938	5	13772	8	17281
Philippine	4.5	9095	4.2	8906	7	15537	4	7575
Portuguese	1.3	838	1.3	838	8	2676	9	2961
U.S.S.R.	1.3	4817	1.3	4804	3	11560	2	5259
Swedish	3.4	9813	3.2	9505	3	7016	5	12144
Other	.04	880	.05	937	—	—	—	—
Total	391.64	667988	389.65	669424	501	723383	504	697156
					433	638558	438	653780
					528	821519	520	821526



## RELATIONS BETWEEN THE NETHERLANDS AND THE NETHERLANDS EAST INDIES

In financial-economic relations between the Netherlands and the Netherlands East Indies the main stress in the development up till 1939 fell more and more on the Dutch investment which amounted to about four milliard guilders, taking the Indian Government debts into account. For that reason considerable yearly amounts of profits, dividends, interests and redemptions flowed into the costs of management, pensions etc. of Dutch enterprises in the East Indies. With the help of her very considerable exports balance the Netherlands East Indies settled the yearly obligations to the Netherlands. It is true that exports of Indian products to the Netherlands herself gradually diminished, but on the other hand the Netherlands was more and more being paid by the Indies in foreign currency, which the latter had obtained by her exports balances to third countries. Consequently the Indian payments in foreign currency formed the keystone by which, notwithstanding the Netherlands passive trade balance, a balanced account was obtained.

The development of the situation in Indonesia after the war has caused this territory, instead of contributing to a considerable degree towards Dutch economy, to make great demands on the national economy, especially by the necessity of the reconstruction and maintenance of the military apparatus.

### The Problem of the Establishment of the "Republic of Indonesia"

The present Netherlands Government, like its predecessor, in the matter of the Indonesian problem, has continually aimed at a peaceful solution. The most difficult side of the problem was the attitude of the "Republic of Indonesia" which was proclaimed in Java in August 1945 and which accordingly does not comprise all Indonesia.

Partly in view of these facts, a Commission-General, under the leadership of the ex Prime-Minister, Prof. Schermerhorn, was delegated to Indonesia, as a representative of the Netherlands Government, in September 1946, in order to consult on the issue raised

between this Republic and the Netherlands Government.

The final result was the Linggadjati Agreement (15, November 1946) in which the Republic was recognized as exercising authority de facto in Java, Madura and Sumatra. It was moreover agreed upon that the Netherlands Government and the Government of the Republic should cooperate towards the speedy establishment of a sovereign democratic state on a federative basis, which would be called the United States of Indonesia and would comprise the entire territory of the Netherlands East Indies and consist of the three states of "The Republic of Indonesia," Borneo and East Indonesia. After the drafting of the agreement the Commission-General travelled to the Netherlands where Parliament pronounced itself in favour of the policy followed.

Finally in March 1947, the agreement was signed by both parties, but was not implemented as the "Republic" in spite of the views of the Netherlands Parliament refused to accept certain appendices as binding both sides and only acknowledged these as a definition of the Dutch conception of the obligations of the Netherlands.

Later, however, the carrying out of this basic agreement has reached a deadlock, as new differences of opinion arose on the way in which the agreement should be worked out.

Besides, there being repeated transgressions of the definitions of the agreement from the side of Indonesia and the situation gradually becoming untenable, the Netherlands Government deemed itself obliged, on 21, July 1947 to start a limited police-action.

At the request of the United Nations Security-Council, however, this action was stopped on August 5, 1947, in order to make it possible, on an international level, to reach a satisfactory conclusion, provided the rights of sovereignty were respected.

### The Attitude of the Dutch Political Parties towards Overseas Territories

#### 1. ANTI-REVOLUTIONARY PARTY

Restoration, by statesmanship and power, of legal authority in the Indies. Policy should aim at complete autonomy, however, while definitely maintaining the unity of the Kingdom.

#### 2. THE PARTY OF FREEDOM

It wishes to see the basic principles of liberty and responsibility also realized in the political status to be occupied by the Overseas Territories, in so far as they will be ready for it; the Kingdom should remain a unity.

The responsibility with regard to the population of Indonesia prevents the Dutch from allowing them to fall a prey to exploitation by outsiders or to terror exercised by a minority. Order

will have to be restored in mutual agreement with representatives of all groups of the population concerned; the same mutual agreement will have to be reached in defining the future political relations which rest on the acknowledgment of selfgovernment of the territories striving for it on the one side and on cooperation in the one Kingdom on the other side, as well as on the joint acknowledgment of the compelling necessity of maintaining everywhere the constitutional State.

#### 3. CHRISTIAN-HISTORICAL UNION

The internal interests of the Overseas Territories should remain, so far as they are compatible with the unity of the Realm, in the care of the competent organs in those territories. Ample opportunities should be provided for male natives to hold in higher offices. Constant care will have to be given to the material needs of the population. Further development of the wealth of the soil in the Netherlands Indies will have to be promoted.

#### 4. THE PARTY OF LABOUR

Acknowledgment of the right of self-determination of the population of the Overseas Territories. For the near future, in order to liquidate colonial relations, a political renewal by voluntary cooperation is aimed at, on the basis of self-government of the equal parts of the Kingdom, co-ordinated within the Realm.

#### 5. ROMAN-CATHOLIC PEOPLE'S PARTY

Aims at complete liquidation of colonial relations if and in so far as co-ordination within the Realm is maintained.

#### 6. COMMUNIST PARTY NETHERLANDS

Complete abolishment in form and spirit of the colonial system in Indonesia, Surinam and Curacao.

Application of the right of Indonesia to political independence on the following basis: an independent Indonesian government responsible to an elected people's representation which has complete democratic powers, also the power to compel the Government to abdicate. Exercise of authority in Indonesia by an Indonesian governing apparatus, and a police and judicial apparatus. Disposal by the Indonesian people of the natural wealth of the country. Aiming at voluntary cooperation in every sphere between Indonesia and the Netherlands in a Commonwealth with equal civil rights for Indonesians and Netherlands in both countries.

#### 7. POLITICAL REFORMED PARTY

Government as the representative of the mother country should administer the colonies as the property of the Dutch population, in an unselfish way. It should promote the spreading of the Gospel in East and West and provide adequate defences against a possible

In every country and municipality the power output is published regularly as such information is regarded as fundamental to an understanding and analysis of particularly industrial progress. We have been repeatedly asked, even by a Director of the Company, to publish the relevant figures but have not met with cooperation on the part of the management of the China Light & Power Co. It is, however, hoped that monthly or at least quarterly production figures will soon be made available both to the community and to shareholders of the Company.



## THE PROBLEM OF POLITICAL AND SOCIAL ADJUSTMENT OF EURASIANS IN THE NEW INDONESIA

(By W. F. Wertheim)

The post-war ascendancy of native nationalisms in the Far East, strongly promoted by the events of world war II, has confronted the Eurasians—descendants of European and Asiatic parents—with the burning problem of adjustment to the new situation. While it is still the common practice here and in other Far Eastern places to leave the Eurasian issue as much as possible in the background and to refrain from discussing it in public, the relatively large numbers and advanced social position of Eurasians in the Netherlands East Indies or Indonesia coupled with the so-to-speak subterranean strife between the descendants of European-Asiatic parents and the Indonesian natives have led to several actions taken by Eurasian groups which all aim at extricating the community from the complexities of a politico-social and economic situation which has, since 1942, turned against the Eurasians.

The establishment of a Eurasian state was seriously proposed and, under Netherlands sponsorship, it may eventually come to pass. However, such solution of the Far Eastern Eurasian problem is far from being realistic although certain large numbers, mostly of mixed European-Malay origin, should obtain satisfaction from such independent though Netherlands-aligned state (probably in Dutch New Guinea).

The Eurasians in Indonesia are commonly referred to as "Indos" or Indo-Europeans while the term Eurasian is ordinarily used here and in China often substituted by such circumscriptions as "local boys" Macaistas (i.e. mixed people from Macao) or Macaense, etc. (ED.)

\* \* \*

The Indo-European group in the Netherlands East Indies is essentially similar to groups elsewhere which comprise Eurasians, half-castes or mulattoes. In dealing with such groups, modern sociology has tried to establish

a number of common characteristics. For example, they are supposed to belong usually to the "marginal man" type, to reside mainly in urban areas, and to exist on the borderland between two clashing cultures—one dynamic and technically superior, the other more static. In the past the superior culture has customarily been represented by the "white race." In societies in which mixed-bloods are found, white superiority finds expression in a higher social prestige. External characteristics of the whites, such as a light complexion, European dress, and correct pronunciation of European languages, are liable to become symbols of a desirable social status.

The nature of mixed societies is responsible both for the social position of mixed-bloods and for certain of their mental traits. As "marginal" men, they belong to a restless, unbalanced human type. Their characteristics are determined largely by their social position, which generally is intermediate between the "pure whites" and the coloured masses. Of course, the position of half-castes varies from society to society. In some, they are, in many respects, assimilated into the ruling white class; in others, they are placed on a par with the scorned coloured people or, considered as bastards, are rated inferior to them. Even in countries where overt race prejudice and legal discrimination do not exist, a white complexion affords some social prestige. On the other hand, even in countries where half-castes, together with the mass of the coloured population, are discriminated against, they may often enjoy a certain amount of social consideration. Although the foregoing observations apply in some measure to the Indo-Europeans of the Netherlands Indies, the prewar situation there presented certain specific variations from conditions prevailing in other countries.

### Eurasians in Java Society.

In the nineteenth century Java society was based on considerations of caste. As a result of Dutch domination, various economic functions were performed by different racial groups. Leading government positions and economic contacts with the outside world were in the hands of Westerners, mainly Netherlands. Domestic trade was mostly under the control of Chinese merchants resident in the Indies. Except for the numerically unimportant feudal chieftains, the native Javanese population consisted for the most part of small agriculturists. Clear-cut social and legal divisions separated the different racial groups, and the privileges of the ruling caste were strictly observed. "To prevent confusion," everyone had to dress according to the custom in force for his group—and was punished if he failed to do so. It was considered an impertinence for a native to speak Dutch.

As early as the seventeenth and eighteenth centuries, in the days of the East India Company, Batavia included a fairly numerous Eurasian community the members of which constituted a by no means privileged class. The top stratum of Batavia society at that time was restricted to Company officials. As *vrije burgers* (free citizens, or private persons), the Indos occupied a lower level, but as Christians, they were a cut above the heathen or Mohammedan population. The many clerks of mixed blood did not consider themselves Dutch, but were nevertheless proud of their Christian heritage. Their language was a simplified Portuguese, the commercial vehicle of the Europeans in Southeast Asia at the time.

During the nineteenth century the legal position of this mixed-blood group gradually became more clearly defined. For a time it appeared as if all Christians would be legally assimilated to Netherlands, but in the end assimilation was restricted to descendants of Europeans on the father's side. Many Netherlands who were living with Javanese concubines felt responsible for the offspring of such alliances and acknowledged paternity. According to Dutch practice, such children belonged to the European caste, as, a fortiori, did children born of a legal marriage between a Dutchman and a half-caste woman. Thereafter, legal descent from a European married couple, or acknowledgment of paternity by a European father, gave a child European legal status.

Socially, however, things were less simple than the law might suggest. Those who were European by legal definition did not form a unified social group. Newcomers from Holland, having enjoyed a European education, were preferred for leading posts in government and society. Even the many adventurers who came to the Indies to make their fortunes often secured excellent positions. Persons of European descent who had been born and bred in the Indies found themselves at a disadvantage vis-a-vis such newcomers. Lack of proper educational facilities in Java considerably diminished the prospects of Indo-Europeans. Only a few, well-to-do families could afford to give their children an education in Europe; the majority of Indies-born Europeans, mainly mixed-bloods, had to dispense with a proper education and, consequently, be satisfied with minor posts as clerks or overseers. Nevertheless, they belonged to the ruling caste and claimed their social prerogatives accordingly. They prided themselves on their European ancestry and their Christian religion, which put them above the masses. Since the Dutch had thus far confined their activities principally to the coastal towns, the Indos constituted a pre-eminently urban community. They aspired to office work but were handicapped by lack of an adequate education. Many of them were without the qualifications required for even the simplest clerical work, and lived like paupers in the poorer parts of the towns.

enemy attack and govern in such a way that the native population will can develop according to its own character.

### DISTRIBUTION OF SEATS IN THE NETHERLANDS PARLIAMENT (1946)

	Second Chamber	First Chamber
Anti-Rev. Party ..	13	7
Party of Freedom ..	6	3
Christian Historical Union .....	8	5
Rom. Cath. People's Party .....	32	17
Party of Labour ..	23	14
Communist Party Netherlands ....	10	4
Political Reformed Party .....	2	—



### Different Levels Among Eurasians.

The Eurasians were a far from homogeneous group. The upper layer consisted of well-to-do people who were allowed to hold high government offices and to associate with pure Dutchmen on fairly equal terms. Their way of life was strikingly adapted to the feudal atmosphere which then prevailed in Indies society. They lived in spacious villas which breathed hospitality and courtliness. A pale reflection of this way of life could be found among the lower-class Eurasians. The latter increased in number as a result of the yearly influx of Dutch troops, many of whom were social misfits who had enlisted in the Indies army as a last resort. Like the planters who settled in Java from the 1870's onward, they had many children. As the number of mixed-blood paupers grew, so did the concern of the Indies government, which viewed them as a possible threat to political stability.

In 1848 there was a public protest by Europeans residing in Batavia against the monopoly of employment enjoyed by persons educated in Europe. Ruling circles were alarmed. The only group on which Dutch authority in Java could completely rely had given warning of its discontent. Consequently, the latter half of the nineteenth century witnessed a remarkable increase in local schools and educational opportunities for all Europeans in Java. Private capital, which flowed to Java after 1870, and later to the Outer Provinces as well, added to the number of posts open to Eurasians. And as the government machinery expanded, it, too, had a growing need for skilled workers.

By the turn of the century, material living conditions had improved considerably for the Eurasians as a group. Nevertheless, social differences between pure-bloods and mixed-bloods remained, as novels and other works written at the time testify. Despite legal assimilation, Indos were never treated as full equals by the Dutch. Many Eurasians at the time spoke broken Dutch with a Malayan accent, because of the lack of proper Dutch instruction. This "Indies accent" was a source of amusement to imported Dutchmen and a favourite subject in novels and comedies. There was a tendency to ascribe inferior qualities, especially laziness and unreliability, to Indos, and attribute these to biological causes. It was not understood that such traits, if real, could easily be explained on grounds of social conditions prevailing for this group. The false position of an individual who scorned his grandmother on account of her race can be held responsible for an occasional untruthfulness; and reliance on privileges afforded by birth might explain a certain lack of energy. It is not yet generally understood that in a society comprising many half-castes the premium put on the external symbols of white descent must influence their spiritual life. Yet, as Julian Huxley has said, "If the alleged inferiority of half-castes really exists, it is much more likely to be the product of the unfavourable social atmosphere in which they grow up than due to any effect, which would be biologically very unusual, of their mixed heredity."

### Advance in Social Position of Eurasians.

The twentieth century produced great changes in Indies society. Humanitarian trends in Holland were responsible for the inauguration of the period of "ethical policy," which was dedicated to the development of the material welfare and education of the Indonesians. Powerful capitalistic interests supported this policy, since a higher standard of living benefited the interests of Western industrial enterprise, and improved educational facilities helped to meet the growing demand for skilled labour.

The position of the Indo-Europeans was the first to be strengthened by the gether with the feudal chiefs and the Amboynese and Menadonese Christians, they became pillars of Dutch authority in the Indies. They soon constituted the core of the army, the police, the civil service and the judiciary. The apex of the Indies governing structure included Indo-Europeans. When, moreover, representative political bodies were established in the Indies under the influence of Western democratic ideas, Europeans (mostly) Indos) at first gained the ascendancy. Until the Japanese occupation, a fixed number of seats was reserved for Europeans in both the People's Council and the urban councils, in order to assure them a dominant voice. However, the Indo-Europeans were unable to acquire a stable position at the peak of the Indies social pyramid. For, while the highest government posts were open to them, private enterprise preferred to import managerial personnel from Europe—an attitude which doubtless reflected conditions prevailing in the British colonies, notably in Singapore. Dutch businessmen feared that half-castes in top positions would not be entirely acceptable to their British or American connections.

The numerous Netherlands who came to the Indies before the Pacific war were greeted with wry faces by the Indo-Europeans, who feared them as competitors, the more so since the Indos had serious rivals below them. The rapid extension of Western education for the benefit of the native population had given rise to an educated class of Indonesians who were beginning to demand positions commensurate with their training, and to challenge European privileges. Clerical posts, previously monopolized by Indos, were filled in increasing degree by Indonesians, who began also to compete with Indos for more responsible positions. The Indos regarded "Indianization" of the government service as a threat to their privileged position; they feared that, if Indianization continued, even the higher salaries would fall to an Asiatic level.

From this it is evident that caste barriers were breaking down. The caste system began to give way to an open-class system—a process that was naturally accompanied by heightened social tensions and economic rivalries. In increasing degree, the lower strata

of Indies society refused to accept inferior status in the traditional hierarchy as being natural to them. Pluralism in Indies society was no longer regarded as an order emanating from the unalterable nature of things.

The Indo-Europeans did not react uniformly to these changes, for they were even less homogeneous than they had been in the nineteenth century, and their number had increased to considerably more than 100,000, whether birth in the Indies or mixture of blood were the criterion employed. The definition of an Indo-European was not strict. In common parlance the tag "Indo" was apt to be applied only to those who showed clear signs of Eastern ancestry. Indos themselves, however, were inclined to lump within their ranks all Dutch "stayers" (those who make their homes permanently in the Indies), all Europeans born in the Indies, though of white extraction, and all Europeans married to Indo-Europeans. The *Indo-Europeesch Verbond* (IEV), the Indos' main political organization, drew its lines loosely.

### Tensions in the European and Eurasian Communities.

Assuming that the Indo-Europeans constitute primarily a social group, deriving its traits from conditions prevailing in colonial society, a social criterion is certainly more logical than a racial one. In fact, "stayers" of pure white descent, and whites who have married Indo women and are fathers of Indo-children, frequently have a point of view strikingly similar to the typical Eurasian attitude. With respect to Indies-born children of pure white ancestry, however, the situation is somewhat different. As these children gradually increased in numbers, those living in large towns were able to obtain an education in what amounted to a Dutch atmosphere. Many imported Netherlands considered this to be desirable, in keeping with the increasing tendency to create a European atmosphere in the Indies. Formerly, European children born in the Indies had called themselves "Indische" children regardless of their parentage; they had all talked with the same accent, had the same habits and laughed together at the few Netherlands-born children in the schools. In later years, however, the shadow of social antagonism between white and mixed-blood adults spread to the children.

Whatever their definition, Indo-Europeans in recent years have constituted the great majority of Europeans in the Indies. According to the 1930 census, of the 240,000 Europeans registered, more than two-thirds had been born in the Indies. No doubt, these Indies-born Europeans were mostly middle- or lower-class Indos, the huge majority of which had never seen Holland. And, though education had brought them much closer to European civilization than had been



the case with the nineteenth-century Indos, their classification as Europeans was more the expression of a certain status in Indies society than of a bond with Europe. As a country, the Netherlands meant little to them. Between Indos and imported Netherlanders there has always been a certain measure of friction which the breakdown of the caste system enhanced rather than diminished. Nevertheless, almost without exception, these Indos regarded the status of "Nederlander" as a precious asset; it was responsible for their prestige in the community. As the pillars of Dutch authority, they believed that their privileges depended on that authority. Hence, their main political association economic progress of this period. To—the IEV—was conspicuously conservative in character; wholeheartedly loyal to Dutch rule, it sought to preserve the numerous privileges connected with the European status of its members. The occasions on which this group came into collision with Dutch views and interests were due largely to its objections to excessive meddling by the mother country in Indies affairs.

#### Opposition to Europeans and the Japanese Occupation.

However, some Indos had a more Asiatic outlook. Resentment towards the whites, felt in some measure by many Indos, led certain of them to join the Indonesian nationalist movement. Before the first world war it looked for a time as if the Indos would become the leaders of the coloured races, as half-castes have been in the United States and the Philippines. In co-operation with Indonesians, a number of Indos founded a powerful nationalist movement, directed against white domination. In the long run, however, the viewpoint of the IEV gained the ascendancy. The attitude of the average Indo was dominated by a strong opposition to, often mixed

with fear of, the new group of native intellectuals that was pressing against the upper social strata. In the eyes of the average Indo, brought up in the traditional caste ideology, an educated Indonesian was merely an "in solent native"; if, in addition, the latter happened to be a nationalist, he was then a "preacher of revolt". Generally speaking, the Indo attitude toward the Indonesian nationalist movement was completely negative. The lower the social status of the Indo, the more tenaciously he was apt to cling to his European prerogatives.

The Japanese occupation turned the world of the Indo-European upside down. Suddenly they were no longer a privileged class, but pariahs. Some of them were interned with the whites but most of those of predominantly Asiatic ancestry went free. The Japanese attempted to play upon the antagonism between white and half-caste, and to win the latter over to their Pan-Asiatic doctrine, but with scant success. Not only did the rank and file of the Indos hope for an Allied victory; many of them actively resisted Japanese domination. All the more cruel, therefore, was the shock when they came to realize that an Allied victory did not mean a restoration of their pre-war status.

Most Indo-Europeans regard the Indonesian revolution as being essentially an encroachment upon their privileges by a seditious minority. Of all the groups in the Indies, the Indos perhaps suffered most from terrorism in the early days of the Indonesian Republic. They naturally feel resentment against the rebellious Indonesian nationalists, who have lost respect for Europeans; against the ungrateful Dutch, who are negotiating with Republicans as a reward for their age-long loyalty, and against the British who gave the Republican leaders the opportunity to seize power. The fiercest opponents of a conciliatory Dutch policy are to be found among the numerous Indo-Europeans in the Dutch army and government services in Indo-

nesia, and among the numerous refugees in Holland.

#### Eurasians' Dilemma in the Indonesian Republic.

The most tragic aspect of the Indo problem arises from the tension with which adjustment to a new social structure is attended in Southeast Asia. The humane attitude of those Netherlanders who did not abandon their coloured children but acknowledged them as Europeans has been of doubtful advantage to the Indo in the long run. The latter never felt that he was being treated quite as an equal. Yet his position under Dutch rule was sufficiently privileged for him to regard the Indonesian revolution as a personal disaster. In British colonies, where Eurasians never constituted a privileged group, their adjustment to the new structure will be less painful. And wherever, as in the Philippines, the mixed-blood has joined the nationalist movement and shares in the leadership of the country, the problem of adaptation does not arise.

Indo-Europeans in Indonesia are now confronted with the crucial problem of how far and how fast they can adjust to the new social structure. Increasing numbers of Indos in Republican territory have evinced a willingness to co-operate with the new rulers. If the majority of Indos succeed in adapting themselves speedily to the new hierarchy, then, alongside the new elite of educated Indonesians, they will be able to play an important part in the administration of modern Indonesia. The difference between their Christian religion and the Islamic faith of most Indonesians will not be an insuperable obstacle, judging from the large number of Christians incorporated in the Republican cabinet. If, on the other hand, the Indo-Europeans fail to adjust to the new situation in time, they will soon be in serious danger of becoming pariahs in the Republic. From this fate a flight to New Guinea, the Moluccas or the Netherlands will not save them.

## HONGKONG IMPORTS AND EXPORTS OF PETROLEUM PRODUCTS

FOR THE MONTHS OF FEBRUARY, MARCH AND APRIL 1948

### PARAFFIN WAX

#### April

Countries	Imports		Exports	
	Quantity lbs.	Value \$	Quantity lbs.	Value \$
Canada .....	567,997	330,886	25	50
Malaya (British) ..	—	—	96,123	49,365
North Borneo .....	—	—	100	80
China, Middle .....	—	—	97,299	67,864
" South .....	—	—	38,433	18,261
Korea .....	—	—	99,592	82,090
Macao .....	45,187	25,237	327,752	158,375
Siam .....	—	—	78,230	49,323
U. S. A. ....	516,443	256,922	—	—
Total .....	1,129,627	613,045	737,554	425,408

#### March

Countries	Imports		Exports	
	Quantity lbs.	Value \$	Quantity lbs.	Value \$
Canada .....	102,851	64,000	—	—
China, North .....	—	—	10,565	12,678
" Middle .....	—	—	13,489	10,626
" South .....	—	—	37,802	21,981
Central American ..	13,455	7,750	—	—
Holland .....	2,235	1,500	—	—
Korea .....	—	—	223,467	171,580
Macao .....	—	—	234,483	140,115
Siam .....	—	—	38,860	18,827
U. S. A. ....	271,687	163,559	—	—
Total .....	390,228	236,809	558,666	375,907



February					PITCH, RESIN, PETROLEUM ASPHALT, AND OTHER BY-PRODUCTS OF COAL, LIGNITE, SCHIST AND PETROLEUM (INCLUDING MIXTURES WITH ASPHALT).				
Countries	Imports		Exports		Countries	Imports		Exports	
	Quantity lbs.	Value \$	Quantity lbs.	Value \$		Quantity Piculs	Value \$	Quantity Piculs	Value \$
Canada .....	597,488	393,772	—	—	United Kingdom ..	250	15,742	—	—
North Borneo .....	—	—	160	150	China, North .....	1,723	22,352	—	—
China, North .....	—	—	2,000	640	" South .....	—	—	15	474
" Middle .....	—	—	10,063	8,990	Macao .....	—	—	10	482
" South .....	—	—	90,550	32,901	U. S. A. ....	6,810	101,692	—	—
French Indo China .....	—	—	400	330	Total .....	8,783	139,786	25	956
Korea .....	—	—	116,440	98,551					
Macao .....	—	—	168,011	108,169					
Siam .....	—	—	44,938	30,741					
U. S. A. ....	599,110	337,556	—	—					
Total .....	1,196,598	731,328	432,562	280,472					

## VASELINE

April					March				
Countries	Imports		Exports		Countries	Imports		Exports	
	Quantity lbs.	Value \$	Quantity lbs.	Value \$		Quantity Piculs	Value \$	Quantity Piculs	Value \$
China, North .....	49,800	14,216	—	—	United Kingdom ..	76	3,916	—	—
" Middle .....	—	—	26,821	9,033	Macao .....	—	—	466	11,770
" South .....	—	—	12,565	6,201	U. S. A. ....	964	17,405	—	—
Korea .....	—	—	14,375	6,250	Total .....	1,040	21,321	466	11,770
Macao .....	—	—	12,186	5,386					
Siam .....	—	—	4,000	1,600					
U. S. A. ....	39,276	7,683	—	—					
Total .....	89,076	21,899	69,947	28,470					

February					February				
Countries	Imports		Exports		Countries	Imports		Exports	
	Quantity lbs.	Value \$	Quantity lbs.	Value \$		Quantity Piculs	Value \$	Quantity Piculs	Value \$
China, Middle .....	—	—	14,000	6,301	United Kingdom ..	166	13,603	—	—
" South .....	—	—	3,843	1,537	French Indo China	—	—	2	83
Macao .....	—	—	8,240	3,022	U. S. A. ....	1,822	28,469	—	—
Siam .....	—	—	16,800	8,320	Total .....	1,988	42,072	2	83
U. S. A. ....	24,915	8,806	—	—					
Total .....	24,915	8,800	42,883	19,180					

## GAS OIL AND FUEL OIL

February					April				
Countries	Imports		Exports		Countries	Imports		Exports	
	Quantity lbs.	Value \$	Quantity lbs.	Value \$		Quantity Tons	Value \$	Quantity Tons	Value \$
China, North .....	—	—	22,400	11,648	Malaya (British) ..	12,667	1,634,366	—	—
" South .....	—	—	25,658	12,967	Br. Empire, Other	17,575	2,160,196	—	—
Macao .....	—	—	7,825	3,393	China, Middle ....	—	—	844	172,199
Siam .....	—	—	24,500	8,580	" South .....	—	—	5,944	1,125,891
Total .....	—	—	80,383	36,588	Macao .....	—	—	1,205	261,162

February					April				
Countries	Imports		Exports		Countries	Imports		Exports	
	Quantity lbs.	Value \$	Quantity lbs.	Value \$		Quantity Tons	Value \$	Quantity Tons	Value \$
China, North .....	—	—	22,400	11,648	Malaya (British) ..	12,667	1,634,366	—	—
" South .....	—	—	25,658	12,967	Br. Empire, Other	17,575	2,160,196	—	—
Macao .....	—	—	7,825	3,393	China, Middle ....	—	—	844	172,199
Siam .....	—	—	24,500	8,580	" South .....	—	—	5,944	1,125,891
Total .....	—	—	80,383	36,588	Macao .....	—	—	1,205	261,162